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Russia's recovery

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Reinventing Roche

The staying power of Frit[illegible] Gerber

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World Business Newspaper http://www.FT.com TUESDAY JUNE 3 1997

McVeigh guilty of Oklahoma blast which killed 168

Gulf War veteran Timothy McVeigh, 29, was found guilty of the Oklahoma City bombing in April 1995 that killed 168 people and injured more than 500. The jury at the court in Denver had been deliberating since Friday. The former army sergeant could face the death penalty.

Hanbo founder jailed: Hanbo steel group founder Chung Tae-soo was sentenced to 15 years' jail in South Korea. He was convicted of bribing senior government officials and bankers to acquire loans of nearly $6bn. Page 14

US industry picks up: US manufacturing activity picked up sharply last month, the National Association of Purchasing Management said in its monthly survey. Page 6

Bombardment kills 12 in Sierra Leone: Twelve people were killed when Nigerian gunboats shelled Freetown, the capital of Sierra Leone. Nigerian troops are trying to reverse an eight-day old coup. Page 9

El Al's Sabbath restriction remains

An Israeli government commission backed proposals for the privatisation of state-owned national airline El Al, but insisted the ban on flying on the Sabbath would not be lifted before the listing on the Tel Aviv Stock Exchange. El Al president Joel Feldshuh (left) said it was unclear what percentage of shares would be allocated to institutional investors, but the majority would remain in Israeli hands. Page 14

BA faces strike: British Airways ground staff, mainly at London's Heathrow and Gatwick airports, are threatening to strike over the contracting out of catering work. The TGWU transport union said action could ground the airline this summer. Page 10

GM to develop car in Brazil: General Motors, the world's biggest carmaker, plans to develop a small car in Brazil at a $600m plant in the south of the country. Page 5

China and Turkey plan D-Mark bonds: China and Turkey plan to issue bonds denominated in D-Marks. The issues will be seen as a boost for the German bond market ahead of the expected launch of European economic and monetary union in 1999. Page 15

Malaysian ministers told to explain: Malaysian acting prime minister Anwar Ibrahim told two cabinet ministers to explain alleged misuse of M$600m (US$240m), as part of a crackdown on improper practices. Page 8

Fuji Bank seeks status change: Fuji Bank, one of Japan's largest commercial banks, hopes to turn itself into a holding company as part of its preparations for Japan's Big Bang financial deregulation. The bank will need to seek government consent for the move. Page 15

Bangkok tightens currency curbs: Thailand's central bank strengthened its prohibitions on many foreign exchange transactions as traders in off-shore markets pushed the Thai currency to its highest level for almost two years. Page 8

Halifax comes to market: Nearly 8m people shared £18.4bn ($30bn) in free shares as former UK building society Halifax made a spectacular stock market debut as the UK's eighth largest company and its third biggest bank. Page 15; Lex, Page 14

Canadians vote: Canadians went to the polls with the ruling Liberal party hoping to hold on to power, possibly with a reduced majority. Observer, Page 13

Audio-DVD specification planned: The music industry expects to produce a final specification for an audio version of the digital versatile disc, which has a higher capacity that a standard compact disc and is already available in Asia and North America. Page 5

Venice's La Fenice to be rebuilt: A consortium led by Impregilo, Italy's largest construction company, won a L90.2bn ($53.8m) contract to rebuild Venice's 205-year-old La Fenice opera house which was gutted by fire last year.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7320.31	(-10.73)
NASDAQ Composite	1403.52	(+3.2)
Europe and Far East		
CAC40	2601.45	(+17.51)
DAX	3805.62	(+57.78)
FTSE 100	4562.8	(-58.5)
Nikkei	20,451.85	(+383.04)

US LUNCHTIME RATES

Federal Funds	5 11/16%
3-mth Treas Bills: Yld	4.903%
Long Bond	96 1/4
Yield	6.918%

OTHER RATES

UK: 3-mo Interbank	6 5/16%	(same)
UK: 10 yr Gilt	100 7/16	(100 1/4)
France: 10 yr OAT	97.44	(97.6)
Germany: 10 yr Bund	100.50	(100.41)
Japan: 10 yr JGB	103.1168	(103.186)

NORTH SEA OIL (Argus)

Brent Dated	$19.16	(18.98)

GOLD

New York: Comex		
(Jun)	$343.7	(344.8)
London:		
close	$344.05	(345.05)

DOLLAR

New York: lunchtime		
£	1.6338	
DM	1.730	
FFr	5.835	
SFr	1.43155	
Y	116.625	
London:		
£	1.6328	(1.636)
DM	1.7262	(1.7056)
FFr	5.823	(5.7615)
SFr	1.4301	(1.4147)
Y	116.505	(114.765)
Tokyo close:	Y 116.24	

STERLING

DM	2.8185	(2.7903)

Jospin cool on Maastricht

French left confirms sceptical attitude to monetary union

By David Owen and Andrew Jack in Paris

Mr Lionel Jospin, the French Socialist leader, promised yesterday to form a new government "quickly, this week" after the left's victory in Sunday's general election.

Mr Jospin, who was invited to become prime minister after an hour-long meeting with Gaullist President Jacques Chirac, also wasted no time in confirming the left's sceptical attitude towards European monetary union.

Mr François Hollande, a senior Socialist spokesman, said the party wanted to renegotiate the so-called "stability pact" designed to limit budget deficits after the launch of a single currency. "We don't want to renegotiate the treaty - we want to renegotiate the application of the treaty," he said.

The Socialists' victory, which gave the left a majority of more than 60 seats but handed Mr Robert Hue's eurosceptic Communist party the balance of power, leaves Mr Chirac condemned to share power with the Socialists and their allies for his remaining five years in the Elysée. It was Mr Chirac's spectacular miscalculation in calling a snap election 10 months early that paved the way for the rout of the centre-right, which had enjoyed an enormous majority in the previous National Assembly.

As European Union foreign ministers sought to play down fears that the left's return might delay economic and monetary union, Mr Hue said the Communists were seeking policy commitments from the Socialists as a condition for serving in the government.

A senior Communist official said demands would include "how to relax the Maastricht grip so that we no longer suffer external constraints". The 1992 treaty lays down the economic criteria for countries wanting to join a European single currency.

Reacting to the election result, Chancellor Helmut Kohl of Germany - one of the strongest backers of Emu - said it had "shown how difficult it is to introduce the necessary reforms in a country through the democratic process".

In one of the first tangible effects on policy of the left's return to power, France Télécom yesterday suspended an advertising campaign linked to the planned float of a minority stake in the company. The move, in effect, made it clear that the sale would not get under way, as planned, on June 5.

There was no word on the proposed privatisation of Thomson-CSF, the defence electronics giant, although the company's shares fell heavily in anticipation of that sale also being scrapped or postponed. Both the Socialists and Communists pledged during the election campaign to halt future privatisations.

As the centre-right RPR/UDF alliance sought to come to terms with the scale of its defeat, which almost halved its parliamentary representation to 242 in the 577-member National Assembly, Mr Jean-François Mancel resigned as secretary-general of the RPR.

Pressure also grew on Mr Alain Juppé, the former prime minister and president of the RPR, to follow Mr Mancel's example.

Mr Philippe Séguin, who emerged as figurehead for the centre-right campaign in the final days before Sunday's poll, predicted "a knife fight" at the heart of the party.

The multi-coloured alliance, Page 2; Uncomfortable bedfellows, Page 13; Lex, Page 14

Lionel Jospin at the Elysée Palace yesterday after his meeting with President Chirac Picture: Reuter

Amoco to auction off 15% of oil and gas reserves

By Christopher Parkes in Los Angeles

Amoco, the US oil and gas group, is to auction off about 15 per cent of its domestic reserves and invest the proceeds in overseas exploration and production.

The sale, which is expected to yield at least $2bn, is the most adventurous move yet in the group's long-term shift from the overcrowded US market to less-developed regions.

Yesterday's announcement followed the conclusion earlier this month of years of wrangling over a plan to build a $2bn pipeline - in which Amoco has recently bought a stake - to transport Kazakhstan oil to Russia's Black Sea.

Amoco said yesterday it was bidding for more Kazakh production licences and would deploy some of the asset sale proceeds there if it was successful.

"We are becoming more international. Our strategy is to move into proven reserves overseas, in Venezuela, Trinidad, the Nile delta, the Caspian Sea and the offshore Gulf of Mexico," it said.

Last year the group found, opened up or purchased reserves sufficient to replace its current non-US production more than fourfold.

Amoco, which refused to speculate on how much the assets would bring, has appointed Morgan Stanley to advise on the sale of the estimated 460m barrels of oil equivalent.

About two-thirds of the offering, which includes some processing facilities and other plant, is natural gas with the balance in oil.

The assets will be bundled in five regional packages in Wyoming, Colorado, New Mexico, Oklahoma and on the coast of the Gulf of Mexico.

Mr Richard Flury, head of Amoco's exploration and production operations, said the reserves represented about 10 per cent of the group's 1996 production. "This divestment

Continued on Page 14

Franc and D-Mark fall on Emu fears

By Our Markets and Foreign Staff

The French franc and the D-Mark tumbled on foreign exchange markets yesterday as investors bet that the French election result and the German row over revaluation of gold reserves would lead to a broad-based and weak European monetary union.

The French franc fell heavily before making a recovery in afternoon trading in Europe. Despite repeated intervention by the French central bank a dollar that could buy FFr5.76 yesterday morning ended the day worth FFr5.82.

The D-Mark was also bloodied, as traders worried about it being converted into a weak euro. The German currency shed nearly three pfennigs against sterling to end at DM2.81, and lost two pfennigs against the dollar to DM1.72.

The left's victory in the French elections significantly increased anxiety in Bonn about the future of EMU, particularly as it came on the heels of the dispute between the German government and the Bundesbank over the revaluation of the country's gold reserves - a government plan aimed at helping to meet the criteria for joining a single currency.

Mr Karl Lamers, parliamentary foreign spokesman for the Christian Democratic Union and Christian Social Union alliance, said France and Germany held a crucial role in the introduction of the euro. "The markets must not be given the impression that the criteria will not be taken so seriously," he said.

For the opposition Social Democratic Party, Ms Heidemarie Wieczorek-Zeul, European spokesman, predicted that Bonn might attempt to use the French elections as an excuse for a postponement of the euro project.

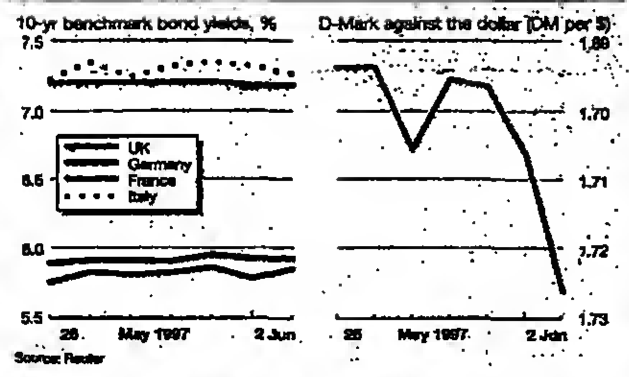
But Mr Klaus Kinkel, German foreign minister, played down as campaign slogans the French Socialists' suggestions that they favour a broad monetary union including Italy and Spain and a more flexible reading of the Maastricht treaty.

Mr Jacques Santer, president of the European Commission, said there was no possibility of a delay in the launch of Emu beyond the planned starting date on January 1, 1999: "The timetable is in the treaty," he added. "That is an agreement which is in Maastricht and we have to stick to treaty commitments." Bond analysts were surprised that bond markets had held their ground after the French elections, but warned that conditions were likely to become volatile. French government bond futures ended marginally higher than Friday's close.

European equity markets were generally higher, apparently on expectations of a rebound in economic growth with anticipated currency weaknesses. The Paris CAC-40 ended 17.5 higher at 2,601.45 after being indicated at a 4 per cent loss in pre-market trading. Frankfurt was nearly 1 per cent higher in after-hours trading.

Editorial comment and Observer, Page 13

Converging towards a weak Emu



Source: Reuter

Nippon Life breaks ranks to raise dividend payouts

By William Dawkins in Tokyo

Nippon Life, the world's largest life assurer, will break an unspoken Japanese industry accord by unilaterally increasing dividends to policyholders.

Officials of the assurance mutual plan to announce a dividend increase with the company's annual results on Monday. Until now Japanese insurers have paid the same dividends and changed payouts at the same time, a feature of the financial convoy system which is breaking down as a result of increased competition.

Nippon Life said the unspecified rise, the first in seven years, was in recognition of the fruits of cost cuts, staff reductions and the near completion of bad loan write-offs. However, financial analysts believe Nippon Life is also seeking to win customer loyalty in the face of increased competition. Non-life insurers were permitted to offer life policies from April last year and banks are expected to be allowed access to the insurance market by 1998 under the government's financial deregulation programme to make Tokyo's financial markets more efficient.

"Nippon Life is preparing to reassert its position as number one life assurer," said Mr Ken Okamura, analyst at Dresdner Kleinwort Benson in Tokyo. Mr Paul Heaton, financial analyst at Deutsche Morgan Grenfell in Tokyo, said: "This is obvious recognition that individuals and companies do not choose insurance policies based on relationships as they used to."

The likelihood of a rise in interest rates in the next few months - and hence of increased income on insurers' debt portfolios - also influenced Nippon Life's decision, said analysts.

Nippon Life's large share of the domestic life assurance market means its five main competitors - also mutuals - are expected to follow suit in raising payouts. With assets of Y39,000bn ($336bn) in March 1996, Nippon Life holds nearly 22 per cent of a market worth Y180,000bn.

Pressure for increased payouts could not come at a worse time for Nippon Life's competitors. Several, if not all, are believed to be potentially insolvent with future liabilities to a fast ageing population exceeding assets. For that reason, the finance ministry ordered Nissan Mutual Life to suspend business last month.

Dividends to policyholders are minute. A standard 10-year life policy for a 30-year-old man paying Y20m on death costs Y105,364 in annual premiums, in return for which the policyholder gets an annual dividend of Y7,400.

Nippon Life throws lifeline to Nippon Credit Bank, Page 17
Lex, Page 14

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NEWS: EUROPE

Greens, Socialists, Communists and others will have to work hard at staying together in the leftwing government

Multi-coloured alliance seeks common ground

By Andrew Jack in Paris

The unprecedented partnership of what has already become known as the "plural" left may have brought about the defeat of the centre-right in France's general elections on Sunday night. But it also brings with it considerable challenges and uncertainties.

The Socialist party alone scored impressively, salvaging its discredited image under the late president, François Mitterrand, which caused the collapsa in the number of seats it held in the National Assembly to just 63 in the 1993 elections. Now it has swelled again, to 240.

The results were nevertheless tighter than suggested in opinion polls before tha elections and in initial indications on voting night. The combined forces of the outgoing RPR-UDF fell sharply from 464 to 243 in the new parliament, yet prevented the Socialists from winning an absolute majority.

As Ms Dominique Voynet, leader of the Green party, put it while grinning broadly last night on hearing the results: "The pink, red and green alliance worked well." The combined forces of the left include a peculiar mixture of ber own movement, several independent leftwing parties and most notably the Communist party, which – with an increase in the number of seats from 24 to 38 – has become a force to be reckoned with.

The question is whather this multi-coloured alliance, hastily forged in the run-up to the election, will continue to function so affectively in the aftermath of victory.

The Socialist party itself encompasses a buge range of ideological beliefs whicb could create potential divisions in future parliamentary votes: from moderates such as Mr Michel Rocard, the former prime minister who has likened his views to those of Mr Tony Blair in the UK, to radicals such as Mr Julien Dray on the hard left.

But tbe most closely watched negotiations in the coming days will be between Socialists and Communists. The two parties signed a historic agreement at the end of April whicb identified a number of areas of common ground and outlined the requirements for tbem to work together.

Notably, they highlighted the need to boost consumer spending through a significant rise in salaries; the creation of 700,000 jobs for the young; the move towards a maximum working week of 35 hours – against 39 hours currently – without any reduction in salaries; and a halt to the privatisations of France Télécom, Thomson and Air France.

They also called for reforms to the tax system to boost investment in job creation and education; greater involvement for employees in corporate decision-making; restructuring of immigration laws; and – significantly – a shift in additional power towards the parliament.

Yesterday, Mr Robert Hue, bead of the Communist party, stressed he was seeking responses from the Socialists on his priorities: an increase in the minimum wage; a reduction in value added tax; a shift toward a shorter working week; and assistance for small businesses.

He bas persistently refused to specify how far his party would be willing to co-operate on the single European currency, other than to make it clear that the existing policy – using the Maastricht criteria and the calendar at present in place – will have to change.

Otber leftwing parties, including the seven deputies in Mr Jean-Pierre Chevènement's Citizens' Movement, which is opposed to the Maastricht treaty, have also demanded clarifications of the Socialists' stance on the single currency, which includes the necessity of a political "counterweight" to the European Central Bank for determining interest rate policy.

Ms Voynet, whose unprecedented alliance with the Socialists belped win the Green party seven seats in the National Assembly, indicated yesterday that her movement was ready to take part in the leftwing government and stressed that her priority was the move to a 35-bour week.

The Greens' own agreement with the Socialists, signed with much fanfare in March, calls for an eventual shift to a 32-hour working week without a reduction in wages; a national "conference" on salary levels; and tax reforms to fovour those on lower incomes.

It says there will be a moratorium on nuclear reactor construction; the closure of the Superphénix fast reactor; a halt in motorway-building and the Rhine-Rhône canal; and changes on petrol taxes to reflect the degree to which they pollute.

It calls for the introduction of eco-taxes, as well as taxes on "speculative" capital movements; the creation of a single ministry for the environment, regional development, energy, transport and housing; and a shift towards a more "social" vision as a condition for monetary union.

Tbo Green party would have a strong claim to a ministerial post.

But while the Communists may agree to a deal with the Socialists and expect a cabinet seat in exchange for their loyalty, Mr Hue himself may well be excluded since he is under formal judicial investigation in relation to alleged illegal party financing practices.

JACQUES DELORS, 71, former European Commission president, has acted as moral reference for the European credentials of Lional Jospin in the campaign but has given no himt he is prepared to return to government. He was Socialist finance minister in 1981-84.

MARTINE AUBRY, 46, Mr Delors's daughter, is a former senior civil servant expert on employment policy and was labour minister in 1991-93. She set up a Foundation for Action against Social Exclusion, working to bring the young unemployed and poor back into the world of work.

DOMINIQUE STRAUSS-KAHN, 47, drafted Socialist party's economic policy and was its spokesman on economic affairs. A believer in active government industrial policy, he served as industry minister in 1991-93. He is married to television interviewer Ann Sinclair.

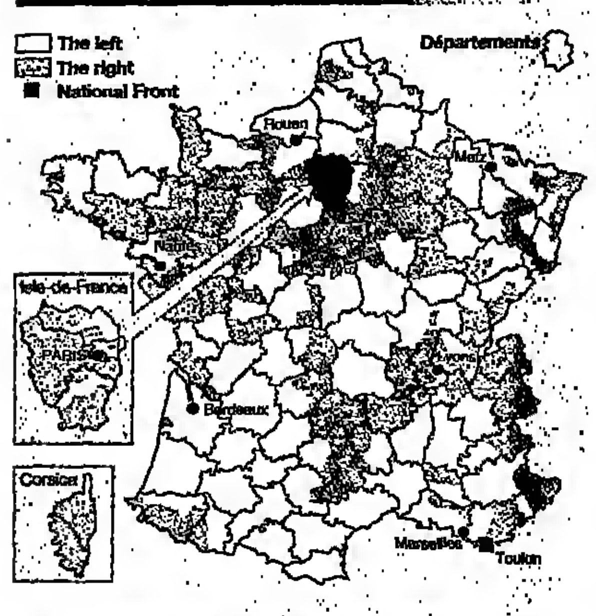
LAURENT FABIUS, 50, prime minister 1984-86, was once a rival of Lionel Jospin but has worked closely with him recently as leader of the parliamentary Socialist group. He was president of the National Assembly 1988-93 and is likely to take up that post again.

MICHEL ROCARD, 66, a leftist turned moderate social democrat, earned François Mitterrand's enmity by twice challenging him for the presidency. Mr Mitterrand made him prime minister in 1988 but took revenge by firing him three years later. Briefly led the Socialist party in 1993-94.

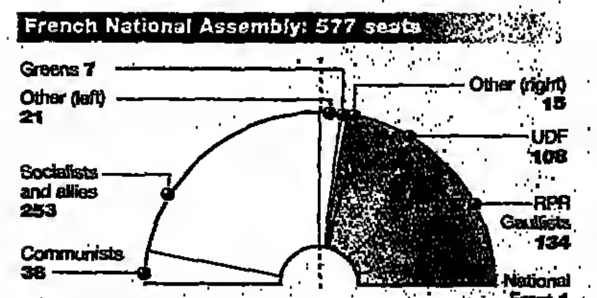
ELISABETH GUIGOU, 50, was a behind-the-scenes architect of France's European policy as personal adviser to François Mitterrand. She was catapulted to prominence as European affairs minister at the time of the Maastricht treaty. A skilled technocrat.

Pink, red and green sweep France

Political map redrawn by the 1997 results



French National Assembly: 577 seats



Companies uneasy as Jospin victory casts pall over privatisation plans

By David Owen in Paris

The return of the Socialists casts severe doubt on France's flagging privatisation programme and looks set to result in yet more delays to the much needed restructuring of the European defence industry.

Executives at a string of privatisation candidates were yesterday waiting anxiously for the first indications of whether Mr Lionel Jospin, the new prime minister, would stick to the position spelt out in last month's campaign.

This was that the party favoured "neither new nationalisations nor new privatisations". His comments, in an interview in Le Monde newspaper, seemed broader tban the position statement in the Socialist manifesto that the party "rejects the privatisation of public services and their transformation into objects of profit".

The first operations that stand to be hit by the election of a leftwing government are the planned sale of stakes in France Télécom, the telecoms operator, and Thomson-CSF, the defence electronics giant.

The first of these alone was expected to raise between FFr30bn and FFr50bn ($5bn-$8bn) in what could well have been the country's biggest privatisation.

France Télécom yesterday announced it was suspending an advertising campaign linked to the float, making it clear that the sale would not go ahead on time.

Under the – already revised – timetable, the early order period for the float was to begin on Thursday, just four days after the second round of the election, with the formal selling period running from June 24 to July 1.

Some observers still think the lure of easy money from privatisation proceeds may, in time, persuade Mr Jospin to permit the sale of a minority stake in France Télécom to proceed – possibly even ahead of the liberalisation of European telecoms markets next January. The state is obliged by law to retain a majority interest in the company.

The Socialist leader last month appeared to give himself room for manoeuvre, telling Le Monde he would consult the company's staff on the question since, he had been told, they now accepted the move. However, he also commented that the privatisation had not been completed and said it was not his objective to finish it.

Barring a complete change of heart, prospects appear bleaker for the sale of Thomson-CSF and probably other defence deals, such as the planned privatisation of the aircraft maker Aerospatiale following its proposed merger with Dassault Aviation.

This was certainly the verdict of the markets, which yesterday sent Thomson-CSF shares skidding FFr11.50, or 7 per cent, to FFr153 against a small end-of-day advance of 0.68 per cent for the benchmark CAC 40 index. Shares of Lagardère, one of the two bidders for control of tbe company, were also off sharply at FFr158.90, a loss of FFr10.90, or 6.4 per cent.

Shares of Alcatel Alsthom, the telecoms and engineering group behind the other offer in partnership with Dassault, were down a much less significant FFr4, or 0.6 per cent, at FFr621.

Final bids for Thomson-CSF, whose fate is seen as vital to hopes of restructuring the European defence sector to combat beefed-up US competition more effectively, were delivered in the middle of the campaign on May 7, although government officials said neither offer would be examined until after the second round. A winner was originally expected to be chosen by the end of this month.

Other state-owned groups that may see their privatisation hopes dashed, or seriously delayed, by Mr Jospin's arrival at the Matignon palace include Air France, which last week announced a return to net profits for the first time since 1989, and a string of financial institutions including GAN, the insurer, and the banks CIC, Banque Hervet and Crédit Lyonnais.

> Senior figures among the Socialists indicated earlier this year that the party might adopt a more pragmatic approach to privatisations in less sensitive sectors outside the public service and defence fields

Senior Socialist figures indicated earlier this year, however, that the party might adopt a more pragmatic approach to privatisations in less sensitive sectors outside lbc public service and defence fields. This suggests it is too early simply to conclude that such sales have no chance of taking place under a Socialist administration.

Another "hot" industrial dossier that may be affected by the left's return to power is the bighly controversial proposed closure by Renault, the French carmaker, of its Vilvoorde factory in Belgium.

Unions were yesterday quick to indicate they would seek to put pressure on the new government as part of their continuing efforts to force management to reconsider.

Mr Jospin said last week at a rally in the northern French city of Lille that, if the left won, the state's representatives on the company's board would call for "other measnres" to cut costs to be "envisaged, studied and prepared".

Delay worries give way to other concerns

French and German political commitment to timetable means abandonment unlikely, but many question Emu's chance of success, writes **Wolfgang Münchau**

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Preparing for Emu

Europe's investors are asking this waek whether the Socialist victory in Franca and the political splits inside Cbancallor Helmut Kohl's coalition have increased the likelihood of a delay in economic and monetary union (Emu).

In Germany, a growing nnmber of economists believe that this may be the the wrong qnestion. They say the real question is not whether Emu is going to be delayed – most of tham think it will not – bnt whether it will succeed once it has started.

One of those sceptics is Mr Thomas Mayer, chief German economist of Goldman Sachs in Frankfurt, who thinks Emu is so driven by political considerations that the economics are looking precarious.

Financial markets overwhelmingly assume a "fudga-or-death" scenario. Mr Kohl's and President Jacques Chirac's dogged political determination to stick to the current timetable makes abandonment of the project at this stage unlikely.

If Emu's death is ruled out for political reasons, then fudge it has to be. But fudge may not necessarily result in a soft euro, or at least not immediately. It could lead to a non-functioning euro, hampered by incompatible business cycles and incompatible sustainable growth rates across the region. Everybody would be locked together in a fixed currency system without economic adjustment machanisms. There would be no devaluations and no fund transfers from rich to poor. A weak euro may well be the ultimate outcome of a non-functioning monetary union, but in the short-run the risk is greater that the euro may be too hard for its own good. This is because an insecure European Central Bank (ECB) could well err on the side of caution initially.

Daring a look to the post-Emn world, Mr Mayer says: "The European central bank will pursue monetary policy as if it was dealing with an optimal currency zone. It will steer a middle course between hard and soft monetary policies. In that case we will see tension in tha labour markets. This tension will manifest itself in higher unemployment in poorer regions, and it may well escalate in a crisis in the labour markets. This in turn will increase pressure towards a softer monetary policy and a softer euro."

It is the fear of Emu not working, rather than the simplistic "strong versus weak" or "on-time versus delay" argument which is causing concern in Germany. Economists know a misaligned monetary union would increase pressure for fund transfers to poorer countries. They also know that the German electorate will not allow this after years of high transfers from west Germany to east Germany. All this notwithstanding, the markets still operate on the central assumption that Emu will go ahead on schedule, witb perhaps a reduced likelihood compared with a few weeks ago.

Given the uncertainties over the project, financial markets are poring over a proliferation of Emu scenarios. Here is a selection:

■ Successful Emn delay by about 18 months or 2 years. By then, most EU countries are in a more advanced stage in the economic cycle, making it easier for them to meet the Maastricht criteria.

■ Unsuccessful Emn delay. EU leaders decide to deloy, hut financial markets, commercial banks, industry and the public at large will lose interest in preparing for an ever-delayed Emu. It will be bnpossible to orchestrate an orderly delay, and the project will be abandoned.

■ Fndge, resulting in a weak euro. This acenario includes Emu taking place on time with the participation of virtually every EU state, except perhaps Greece and the opt-outs. The consequence would be a currency that is weaker than the D-Mark because the combined euro area would be economically weaker than Germany, and because the average Emo-wide fiscal policy would be weaker than Germany's.

■ Fudge, resulting in a strong euro. In economics, almost everything can be argued both ways. If the ECB feels it needs to establish "credibility" with the financial markets, it may run a tighter monetary policy than would normally be warranted. Result: a strong currency combined with depressed economic growth.

■ Collapse of Emu; an extension of the previous scenario. The mix of a strong currency and low growth would cause an economic misalignment, giving rise to pressure for large-scale fund transfers from rich northern countries to poor sonthern countries. Since this is unlikely, Emn itself could be at risk.

Added to this there are a series of micro-scenarios. For example, most commentators helieve tbat tbe Socialist victory in France would make the participation of South European countries in Emu more likely. However, J.P. Morgan's Emu calculator (right), wbich uses swap market spreads to estimate individual countries' chances of participating in Emu shows their chances are lower now than they were a week ago.

Several of the events that could alter expectations one way or the other are imminent: the German government this week needs to win a no-confidence vote against Mr Theo Waigel, the finance minster. It also needs to pass the law that would allow a revaluation of gold reserves.

Then there is the troubling political dispute between Mr Kobl's Christian Democratic Union and the Free Democratic party, the junior coalition partner which categorically rejects tax increases to fund the budget gap. There is a risk that the coalition could come unstuck before September 1998, when the next general elections are scheduled. In addition to all this, Mr Kobl will need to arrive at some political understanding with Mr Lionel Jospin. Mr Jospin said during the election that he wanted Italy and Spain to join Emu, irrespective of whether they meet the criteria; he wants to renegotiate the stability and growth pact, which seeks to reign in deficit spending hy future Emu members; and he wants to have a political counterweight to the independent European Central Bank. Each one of these proposals has the potential to horrify the average German citizen – let alone Bundeshanker.

Ms Alison Cottrell, executive director of PaineWebber, said: "The Socialists' emphasis on employment and on a broad Emu from the start, may pose an insurmountable obstacle to German participation in 1999. The Bundesbank's response to such a proposal would make its protests over gold reserves look like a love-letter."

The events of the last week may not necessarily have buried the project, but they have greatly increased the risks associated with Emu at the expense of the opportunities offered by Emu. Once this perception prevails, the timetable, and possible the project itself, could be at risk.

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Emu: who's going to make it

J P Morgan Calculator June 2 1997

	Yesterday	1 week ago	4 weeks ago
Germany	100%	100%	100%
France	100%	100%	100%
Belgium	100%	100%	100%
Portugal	76%	83%	72%
Spain	73%	80%	68%
Finland	73%	79%	74%
Ireland	72%	75%	68%
Sweden	62%	63%	57%
Italy	56%	62%	51%
Denmark	48%	47%	47%
UK	46%	44%	36%

The Emu calculator reveals, real time, the probability of individual countries joining Germany in a monetary union in 1999 implied by financial market prices. Market probabilities are derived from the interest rate swaps market, in which investors swap floating-rate interest payments for fixed-rate ones. The implied probability of Italy participating in Emu in 1999 can be calculated looking at where the spread between post-1999 lira and D-Mark swap rate lies, between the zero level implied by Emu and the level we would expect if Italy is not in Emu. Italy's non-Emu spread is estimated by currency strategists at J.P Morgan using the pre-1992 correlation of the lira-D-Mark swap spread with similar spreads outside Europe

IGC faces proposals on competition protection

By Andrew Fisher in Frankfurt and Emma Tucker in Brussels

Germany and France havs proposed cbanges to the European Union's founding treaty aimed at protecting public sector banking and other services from full competition by enshrining their status and privileges in European law.

Both countries have tabled amendments for discussion by the intergovernmental conference (IGC) on treaty changes now meeting in Brussels. This is due to conclude its work in mid-June st the EU summit in Amsterdam.

The German government, under pressure from the regional states (Länder), is seeking to extend the protection of public sector banks against further attack from the private banking sector by having their guarantee status written into the treaty.

This was strongly criticised yesterday by the German private sector banking association as "en incredible move". It said the government should drop the amendment, which would set a "dangerous precedent" by encouraging other EU member states to push for other treaty changes – "with negative consequences for the EU's competition rules".

The proposal is one of several put forward by EU countries seeking to exclude whole economic sectors from competition rules. France has tabled draft proposals aimed at protecting public services, such as gas and electricity.

A Belgian proposal seeks the same treatment for public service broadcasters because they are "directly related to the democratic, social and cultural needs of each society and to the need to preserve media pluralism".

This has infuriated commercial television companies, which say it would discriminate against private broadcasters. Mr Jan Mojto, president of the Association of Commercial Television, said it went against the basis of the internal market rules "by pushing for the renationalisation of an entire services sector".

The attempt to protect Germany's Landesbanks – which provide financial services for state governments and local savings banks – has also outraged some diplomats in Brussels. "The Germans just try to roll over us like a bulldozer without any democratic control whatsoever," said one. An EU banker said: "The competitive consequences could be dire."

Tha banking association – whose members includs Deutsche Bank, Dresdner Bank and Commerzbank – said the basic principles of free competition should not be sacrificed for the Landesbanks, which operate in the European single market in the same way as private sector banks. Mr Wolfgang Arnold, deputy director of the association, said the German treaty proposal was "a discredit to Germany's position as a financial centre".

The effect of the banking protocol would be to secure the Landesbanks a lasting advantage by excluding their guarantee status from competition rules. This gives them in effect unlimited state backing, enabling them to obtain top credit ratings and borrow at the most favourable rates in capital markets.

The German amendment proposes that it would be up to EU governments "to determine how to make it possible for their territorial public authorities [Länder] to fulfil their task of providing in the regions an efficient financial infrastructure with coverage for the whole region".

The German government has already held up settlement of a complaint to the EU Commission by the private sector banking association on the way Westdeutsche Landesbank, the biggest public sector bank, received a DM4bn ($2.3bn) capital injection through integration of a state housing development company.

Officials in Brussels fear the protocols could get caught up in horse-trading between member states as they thrash out treaty revisions which have to be agreed unanimously. Thus opposition from countries such as the UK might not be enough to prevent their inclusion.

German FDP calls for talks on gold row

By Ralph Atkins in Bonn and George Graham in Interlaken

Cracks emerged yesterday in the determination of Bonn government leaders to press ahead with revaluing Germany's gold reserves in the teeth of fierce Bundesbank opposition.

The Free Democratic party, junior members of Chancellor Helmut Kohl's coalition, was aeeking urgent talks to reach an "amicable" agreement with the central bank. The call by Mr Guido Westerwelle, FDP general secretary, was the first hint of a breach in the coalition's united front.

The Bundesbank last week condemned the government's plans to revalue the country's gold reserves to help meet the Maastricht criteria for European monetary union.

Adding to the nervousness was a warning from Mr Alois Glück, parliamentary leader of another coalition member, the Bavarian Christian Social Union, that Emu might have to be delayed. Mr Glück, whose party is led by Mr Theo Waigel, the federal finance minister, emphasised the importance of a stable successor to the D-Mark.

In calling for talks, the FDP said it stood firm behind the principle of revaluing gold and other reserves, adding that the dispute with the Bundesbank was only over timing. Mr Waigel said he was prepared for talks, although finance ministry officials in Bonn indicated he was in no mood to climb down and said no appointment had been fixed with Mr Hans Tietmeyer, Bundesbank president.

The FDP'a stance came against the backdrop of serious disputes within the coalition over Germany's mounting financial problems. An emergency meeting of coalition leaders on Sunday night failed to resolve difficulties over next year's budget. The FDP is opposing tax increases even though Mr Waigel has refused to rule out higher duties on goods including petrol.

In an excitable political atmosphere, exacerbated by coalition worries about the impact of the French elections on European economic integration, Mr Kohl cancelled plans to give a speech in Paris tomorrow. Instead, he will remain in Bonn, where Mr Waigel is due to give a statement to parliament on the revaluation.

The opposition Social Democratic and Green parties yesterday added to the pressure by announcing their intention to present motions backing the Bundesbank and demanding the sacking of Mr Waigel.

Speaking to international bankers in the Swiss resort of Interlaken, Mr Kohl insisted that the gold revaluation was not an assault on the Bundesbank's independence. It was a step that would be necessary by 1999 at the latest to bring Germany's accounting treatment of its gold and foreign exchange reserves into line with other EU central banks.

"This is indisputably a matter for the legislator. On this point there is no difference of opinion," he said.

Waigel: prepared to talk, but in no mood to climb down

EUROPEAN NEWS DIGEST

Socialists on trial in Spain

The trial of Mr Luis Roldán, the disgraced bead of Spain's paramilitary Guardia Civil corps, on charges of massive embezzlement began yesterday in Madrid.

It will be the first of several court bearings in the coming months tackling allegations of widespread corruption under the former Socialist party government.

Mr Roldán, a one-time Socialist party stalwart who in 1986 was the first civilian to be appointed director-general of the Guardia Civil, is accused of embezzeling Pta1.1bn ($7.5m) during a seven year period running the national security force.

He spent 10 months on the run between April 1994, when be fled Spain, and February 1995, when be was arrested in Laos. His trial, which is expected to last several months, is likely to touch on issues such as the illegal financing of the then ruling Socialist party and government funding of a "dirty war" against suspected Basque separatists in the 1980s.

Separate corruption trials scbeduled to appear before the courts will deal with slusb funds allegedly set np by the Socialists; the alleged theft of security secrets by the former number two of Spain's intelligence service; and allegations that former Socialist security chiefs were directly involved with the "death squads" that fought Eta, the Basque separatist organisation. *Tom Burns, Madrid*

Norway counts computer cost

Solving the millennium "bomb" will cost Norway's companies and public sector an estimated NKr30bn ($4.2bn), according to Norsk Brukergruppe, an association formed by Norwegian companies to tackle the millennium-end computing problem.

The worldwide problem is the consequence of software programming methods which store the year in a date as two digits rather than four – 97 rather than 1997, for example. Software using the two-digit convention will not be able to distinguish between dates in this century and the next.

As a result, companies will have to re-programme their computers to accept a four-digit field before 2000 to avoid computer chaos.

"A big Norwegian company will have to spend between NKr50m and NKr100m to make sure that its computers function in the year 2000," said a report by Norsk Brukergruppe quoted in the newspaper Dagens Naeringsliv.

In total, Norwegian companies will have to spend around NKr18bn and the public sector Nkr12bn to overcome the problem, according to reports. *Reuter, Oslo*

Goldsmith ill with cancer

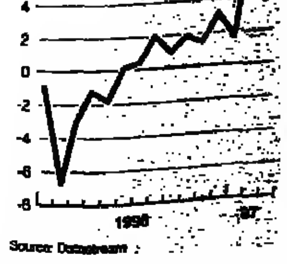
Sir James Goldsmith, the Anglo-French entrepreneur, is critically ill with cancer in a hospital near Paris.

Mr Goldsmith, 64, who made a vast fortune as one of the most cool and astute corporate raiders of his time, first suffered pancreatic cancer in 1985. However, he kept its recurrence secret when he led his Referendum party in the six-week campaign for the British general election on May 1.

The party, campaigning against further European Union integration, won more than 800,000 votes bnt failed to win a single seat in the election. *Reuter, Paris*

ECONOMIC WATCH

German production rises



German industrial output in the first quarter of the year rose 0.3 per cent above the final quarter of 1996, according to revised data from the Bundesbank. Manufacturing industry was np 2 per cent and production of semi-finished goods 1.4 per cent. Durable and consumer goods increased by 3.2 per cent and capital goods output was up 2.1 per cent. The construction industry, however, showed a fall of 10.4 per cent. The central bank said industrial production in March was up 0.3 per cent from February; this compared with a provisional figure from the economy ministry of 0.5 per cent. The March figure for the west of the country was 0.2 per cent above the month before; the east was up 2.8 per cent. *AFX, Frankfurt*

■ Sales of new cars in France fell by 23 per cent in May from a year earlier to 120,593 units, according to figures from the trade.

Since the beginning of the year sales have fallen to 691,465 units, 22.6 per cent lower than in the same period of last year.

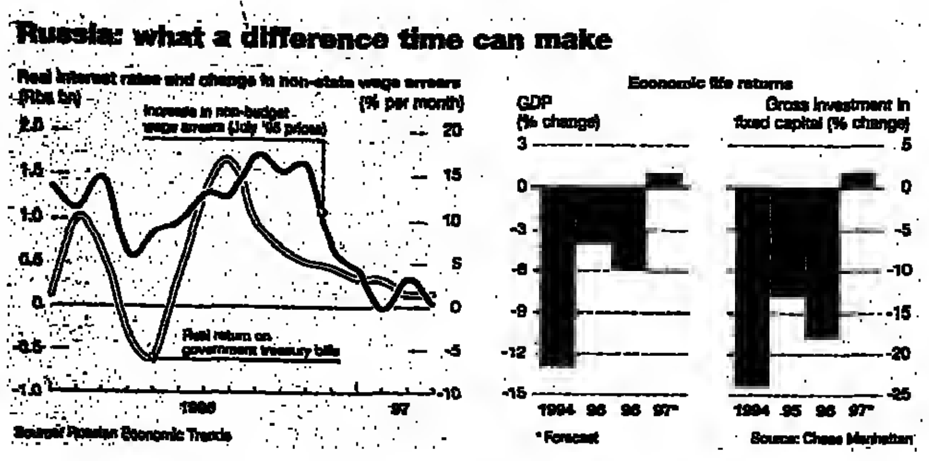
Hope springs in Russian economy

Statistics show sustained output growth but some doubt their veracity, writes John Thornhill

Maybe the spring weather is the reason, or the appearance of fresh faces in the government, but there is a growing mood of optimism in Moscow that the economy is finally turning. The sense of desperation that has characterised Russia's transition to a market economy appears to be slowly ebbing – in the big cities at least.

Moscow's city government can even plant tulips to celebrate its 850th anniversary without fear they will be picked and sold by impoverished pensioners.

Russia: what a difference time can make



Statistical evidence, imperfect though it may be, also shows that Russia's fitful macroeconomic stabilisation programme may be bearing fruit after years of agonising contraction.

In recent weeks there have been strong inflows of foreign capital into Russia, partial repatriation of flight capital and a strengthening of the rouble. Such has been the demand for the rouble that the central bank has been merrily buying dollars, lifting its net international reserves by $2.2bn (£1.3bn) in April, the biggest rise in a year.

As o result, additional roubles have flowed into the economy, facilitating cuts in interest rates.

"What economists have long been expecting is finally happening," says Mr Roland Nash, economist at Renaissance Capital, the Moscow-based investment bank.

Part of the reason for the increased confidence appears to be the passing of time. Inflation has remained below 3 per cent a month for the past 15 months, while the rouble has been trading within a predictable range for more than a year.

The growing faith in Russia's macroeconomic stability has been matched by renewed hope for the country's political outlook.

A physically and politically rejuvenated President Boris Yeltsin has recently been thumping the table with his former vigour and his reshuffled government is pursuing reform efforts on several fronts.

Mr Anatoly Chubais, first deputy prime minister, says the current climate for reform is the strongest he has encountered in his six years in government. But he believes it will take time for the government to deliver results. "Next year in Russia will be the first year of economic growtb and an increase in living standards," he says, backing away from earlier predictions that the economy would grow this year.

There has recently been much controversy about how to interpret official statistics showing the first sustained output growth since the reforms began.

Independent economists allege the government has doctored the numbers by arbitrarily inflating its estimates of informal economic activity. But there are signs that some of Russia's industrial managers are emerging from their bunkers and thinking about expansion.

Signs include:

■ Uralmash, one of Russia's biggest heavy engineering plants, last month announced plans to raise $45m via an international share offering to invest in new equipment.

■ A swathe of companies have issued American Depositary Receipts, (ADRs), which may enable them to raise international finance in future.

■ Several Russian banks have collectively raised hundreds of millions of dollars through the international syndicated loans market to build up their industrial loan portfolios.

Moreover, Mr Michael Marrese, emerging markets economist at Chase Manhattan International, estimates the unofficial – and largely invisible – "grey" economy is growing at a rate of 10 per cent a year and accounts for an increasingly important share of gross domestic product.

He believes }it has expanded from about a third of all economic activity in 1995 to 40 per cent today.

Its expansion could help produce growth of 5.4 per cent in the overall economy – what he calls the "true economy".

Other economists are far less sanguine about the immediate growth prospects, worrying about the strains on the federal budget and the lack of structural reforms.

In the first quarter of the year, the government collected just 57 per cent of its targeted tax revenues, leading to a massive backlog of pensions and wages.

If }it cannot raise more tax revenue, it will be under enormous pressure to borrow more domestically. That runs the risk of driving up interest rates and crowding out private sector investment, as happened last year.

The government's current squeeze on the worst corporate tax debtors is therefore critical to }sustaining its stabilisation programme. For example, signs are that Gazprom, the big gas monopoly, will deliver on its promises to pay $1.2bn of back taxes by June 10.

But the government must sustain its campaign to put its public finances in order if the fragile shoots of economic promise are to bloom into lasting growth.

Tudjman in appeal for reconciliation

By Guy Dinmore in Belgrade

Croatian President Franjo Tudjman yesterday responded to US calls for "moral leadership" by delivering a message of reconciliation in his first public visit to eastern Slavonia, the last Serb enclave in Croatia, which is due to return to Zagreb's control next month.

Mrs Madeleine Albright, the US secretary of state, publicly upbraided Mr Tudjman and Mr Slobodan Milosevic, the Serbian president, during a visit to Balkan capitals over the weekend. She made it clear in Zagreb that the US would block Croatia's further integration with the west if it failed to meet a list of demands, including the surrender of war criminals and the peaceful return of Serb refugees to their former homes in Croatia.

Mr Tudjman, who is believed to be suffering from stomach cancer, looked tired and frail as he arrived by helicopter in the town of Beli Manastir to address local Serb officials elected in municipal polls on April 13.

But the 75-year-old president was heckled by several hundred angry Serbs, many of whom swore at him and waved the three-fingered salnte of Serb nationalism. Tension rose when one of Mr Tudjman's aides responded with the Croatian salute.

Mrs Albright's rebuke followed a campaign of intimidation against Serb refugees trying to return to their homes in Krajina, central Croatia. Mr Tudjman, who is widely expected to be re-elected in a presidential election on June 15, told Mrs Albright that it would be "insane" to repatriate all the 200,000 Serbs who fled Croatia in 1995.

"Croatia will brush aside all extremists," Mr Tudjman told reporters yesterday. "But it can't be held responsible for individual incidents of violence. But there will be no revenge."

Mr Vojislav Stanimirovic, leader of the Serb community in eastern Slavonia, said after talks with Mr Tudjman that Mrs Albright's warning had taken effect.

"His speech was proof of that," Mr Stanimirovic said. The Slavonia Serb leader, who is campaigning for Serbs to stay in the region as Croatian citizens with full rights, said he saw a future for Serbs in Croatia.

Eastern Slavonia, an oil- and agriculture-rich region on Croatia's border with Serbia and Hungary, has been under UN administration since January 1996 after western powers persuaded Mr Tudjman to halt a big military offensive just short of the region.

More than 80,000 Croats who were expelled from eastern Slavonia by Serb forces in 1991 are waiting to return to their homes once Croatia regains full sovereign control, possibly next month. More than 100,000 Serbs live in the area, many of them refugees from other parts of Croatia. Many in the crowd said yesterday they would rather leave than live under an independent Croatia.

US officials have warned Mr Tudjman that the current mandate of the 5,000 UN troops and the UN administrator in eastern Slavonia, Gen Jacques Klein, could be extended beyond July 15 if Croatian officials continue to block the return of Serb refugees to Krajina.

Ukraine, Romania bury the hatchet

By Anatol Lieven in Bucharest

Romania and Ukraine yesterday signed an historic friendship treaty which Romanians hope will open the way for them to join Nato.

Western leaders, including most recently US President Bill Clinton, have stressed reconciliation between Romania and its neighbours as a key step to Nato membership.

The pact was signed in the Romanian Black Sea resort of Neptun by Presidents Emil Constantinescu and Leonid Kuchma. Negotiations have taken three years, delayed by Romania's insistence on Ukraine denouncing the Molotov-Ribbentrop pact of 1939 under which large areas of Romanian territory in Bessarabia and Bukovina were transferred to Ukraine.

The Ukrainians have always refused, regarding this as a veiled territorial claim. The present treaty makes no mention of this transfer, stressing instead the inviolability of existing frontiers. It also provides for the establishment of a free trade zone on the common border.

However, the treaty ignores one remaining contentious issue, the sea frontier between the two countries, especially around Serpent'e Island, annexed from Romania by Ukraine when it was part of the Soviet Union. Both states believe the seabed in this region may be rich in oil and gas.

The drawing of this frontier has been left to a future agreement, to be negotiated by 1999.

Romanian leftwing and nationalist opposition deputies refused to attend the signing ceremony, which they described as an act of treason. They have also vowed to vote against the treaty in parliament. The public generally, however, seem to have accepted the treaty as a condition of Nato membership.

The new Romanian government is strongly interested in boosting trade with Ukraine, and is exploring the possibility of co-operation in creating new routes for oil and gas from the new fields of the Caspian Sea.

Doubts in Italy on state overhaul

By Robert Graham in Rome

The French election result has injected an element of uncertainty into final negotiations for a major overhaul of Italy's executive being conducted by a joint parliamentary commission.

Two alternatives are being considered – a stronger directly elected prime minister or a semi-presidential system similar to that of France. Until the weekend, the bulk of the members of the 70-person commission appeared to be moving towards the idea of a semi-presidential system. But the prospect of an awkward cohabitation between a prime minister representing one electoral grouping and a president backed by another has been highlighted by the French elections.

The rightwing opposition parties, especially the National Alliance (AN) of Mr Gianfranco Fini, have pushed hard for the introduction of "semi-presidentialism", convinced this is the best means of strengthening a weak executive and exercising more authority over the slow legislative process in parliament. However, support for this solution was based on the belief that the French eystem had proven its resilience with the late Socialist President François Mitterand co-operating successfully with a prime minister of the centre-right.

Supporters of a French-style solution to Italy admitted yesterday they had never imagined it possible to have a prime minister with a huge popular endorsement cohabiting with a man whom he had once challenged for the presidency, as is the case now with Mr Lionel Jospin and President Jacques Chirac.

At present the Italian president is elected by parliament and serves for seven years. Although the office-holder has the power to dissolve parliament and appointment the premier, the president's authority is largely symbolic, with policy initiatives entirely in the hands of the government.

Despite misgivings about importing presidentialism, the deciding factor in a vote could well be the new federal context in which the constitution is dne to be framed.

Smoke signals augur well, but the US health community is still deeply divided

$300bn tobacco peace deal may be close

Against all the odds, the US tobacco industry and its opponents could be days away from finalising a $300bn deal that would bring a lasting peace between the two sides after decades of bitter and costly confrontation.

Yet the settlement faces at least one big obstacle before it can become a reality: a strongly held conviction among some members of the health community that the tobacco industry is going to come out on top.

Haalth advocates are strongly opposed to any deal that would give the tobacco industry blanket immunity from lawsuits brought by individuals suffering from smoking-related diseases. Equally, the tobacco industry insists that this is a condition for any deal.

With the anti-tobacco camp divided over this issue, the talks have been suspended to allow the anti-tobacco negotiators to resolve their internal differences.

The tobacco industry *is* represented at the talks by lawyers for Philip Morris and R.J. Reynolds Tobacco, the two biggest US cigarette makers. On the other side of the negotiating table are the attorneys-general for some of the 30 states suing the industry for the recovery of smoking-related healthcare costs, lawyers for individuals suing the industry, and a lone representative of the health community – a lawyer for the Coalition for Tobacco-Free Kids.

Breathing space: how US cigarette companies can pay for immunity

A price increase of 50 cents a pack would raise $12bn a year

Effect of price increase in first year	Philip Morris				RJR Nabisco			
Drop in consumption	-11.3%				-11.3%			
Operating profit per pack	$0.40				$0.26			
Interest expense on upfront payment	$300m				$175m			
Total loss in after-tax profits	$614m				$213m			
Effect on earnings per share	1997	98	99	2000	1997	98	99	2000
Existing growth rate		16%	16%	15%		13%	13%	13%
Interest expense ($)		-0.10				0.30		
Adjusted growth rate		7%	20%	[illegible]		-8%	25%	14%

Source: Sanford C. Bernstein

When the talks began two months ago, a settlement appeared unlikely. But the lawyers gradually produced a framework for a deal that would give the US tobacco industry extensive protection against lawsuits in return for payments totalling $300bn over the next 30 years.

The sum would be paid at the rate of $10bn a year, to be split between the states and the individual plaintiffs. Payments would be split between companies according to market share, with the first instalment of $10bn due next year.

On top of this, the industry would also meet the cost of damages won by individual smokers. But no smoker would receive more than $1m in any one year, and the industry's total liability to individual smokers would be capped at $2bn a year.

There would be other limitations on individual lawsuits, too. No class action lawsuits or punitive damages would be allowed; individuals would ha able to sue only if they had given up smoking or entered a stop-smoking programme and failed to quit; and peopla who did not try to give up smoking by 2005 would lose the right to sue, as would those who took up smoking after 2000.

Although $300bn is a lot of money, Wall Street analysts say a settlement would have little effect on the industry's profitability because cigarette makers would offset the cost by increasing cigarette prices in the US by 50 cents a pack. Even then, they would remain among the cheapest in the developed world.

Mr Gary Black, an analyst at Sanford C. Bernstein, calculates that the settlement would cut Philip Morris's growth in earnings per share from 16 per cent to 7 per cent next year. Bnt after that, the growth rate would bounce back, and the company's stock price would soar because the uncertainty over the litigation risk would have been removed.

For this reason, some members of the health community regard the proposed settlement as a sell-ont. Thay say the deal would leave US cigarette makers less heavily taxed and more lightly regulated than in most other developed countries, yet award them the prize of immunity from litigation in the most litigious country on earth.

"We are against any deal that would limit the ability of people to pursue actions against the tobacco companies," says Mr Josh Cooper, legislative representative for tobacco control issues at the American Lung Association.

"They have caused a lot of death and destruction from their lies and deceit, and we just think that preserving this Industry should not be a goal in these talks."

Any deal will require the approval of the White House and an act of Congress, so political acceptability will be crucial to the outcome: and public health advocates are already warning that they will do everything in their power to block it.

"This settlement would be a sell-out. Absolutely, we will lobby hard to kill it," says Mr Robin Hobart, co-director of Americans for Nonsmokers Rights. "If they think this deal is going to be acceptable to tbe pnhlic health community, they have got another think coming."

Richard Tomkins

The US tobacco industry faces another legal threat this week with the opening of a trial in which non-smoking flight attendants are seeking $5bn compensation for illnesses they claim to have suffered from second-hand smoke in aircraft cabins, Richard Waters writes.

The trial is significant because, if it goes against the industry, it could open the way for large numbers of other non-smokers to sue cigarette makers for injuries alleged to have been caused by passive smoking in confined workplaces.

Mr Stanley Rosenblatt and his wife Mrs Susan Rosenblatt, two Miami lawyers, are bringing the case in Dade County Circuit Court, Florida. Their lead plaintiff is Mrs Norma Broin, 42, an American Airlines attendant who had part of a lung removed when diagnosed for lung cancer in 1989.

Mr and Mrs Rosenblatt will try to prove second-hand smoke causes heart and lung disease, and will seek damages for the effects on flight attendants who worked for US airlines before thay banned smoking on most flights in 1990.

The tobacco industry is expected to argue studies linking second-hand smoking with disease are "junk" science, and there is no statistical correlation between second-hand smoking and lung cancer.

Insurance companies determined to steer clear

By Christopher Adams, Insurance Correspondent

The insurance industry is fiercely resisting attempts to drag it into funding a settlement between US tobacco companies and attorneys-general despite increased speculation they may be forced to do so.

In Louisiana more than 100 insurers were named as defendants this year in a case where the attorney-general, Mr Richard Ieyoub, is trying to recover costs of treating tobacco-related illnesses.

Mr Ieyoub said last week the attorneys-general in the tobacco talks were "considering the issue of insurance". But insurance companies are not participating and believe they are well protected against having to meet claims.

They are confident exclusion clauses in liability policies over the past 30 years make it clear tobacco-related damages claims are not covered. They say the clauses were drafted at the request of tobacco companies which wanted to fight their own defence should they be sued. The tobacco industry has shown little enthusiasm so far to test their resolve and admits that proving liability would be difficult.

"This is between the attorneys-general and the tobacco companies," said Mr Steve Goldstein, vice-president of the New York-based Insurance Information Institute. "We haven't got a dog in that fight and anyone who attempts to bring us in will need a very strong rope."

Some analysts believe such confidence is misplaced. They argue clauses in general liability policies written before the 1970s were weak, leaving insurers vulnerable to billions of dollars in losses.

Standard & Poor's, the credit ratings agency, says the insurance industry could be expected to contribute to a politically negotiated or legislated settlement, as it did to settle the huge costs of environmental damage.

BAT Industries, the UK-based tobacco and financial services group, incurs legal costs of about $100m a year fighting lawsuits brought by families of dead smokers. It has been investigating the wording of old policies to see if there are grounds for an independent claim against its insurers.

The task is laborious. Coverage over the last 20 years was arranged with many different insurers and the company will have to weigh carefully a range of complex problems before acting.

For instance, BAT has so far successfully defended itself against litigation by saying the public knew as much as it did about the dangers of smoking. Losing a case would mean it had defrauded customers and would make claiming insurance difficult.

Insurers would probably also argue strongly the company had waited too long before notifying them. The success of a claim would vary widely from state to state. Insurers have been named in the Louisiana case because in that state a plaintiff can sue both a defendant and its insurers at the same time. It is direct legal action like that which would have to escalate before insurers are drawn into a settlement, and that may first take several big defeats in court for the tobacco industry.

Industry output picks up in US

By Gerard Baker in Washington

US manufacturing activity picked up sbarply last month, according to a carefully watched business survey published yesterday.

The nation's purchasing managers reported a rise in production, new orders and employment, but a further fall in prices in May, the National Association of Purchasing Managemeot (NAPM) said in its monthly survey.

The figures were the first clear suggestioo the slowdown in the pace of US economic expansion in April may have been short-lived.

The main purchasing managers' index, the association's overall indicator of economic activity, rose to 57.1 per cent last month, its highest level since November 1994. New orders and stock levels were also at their highest level for nearly three years.

But there was still not the slightest sign of a rise in inflation. The NAPM's price index recorded its third consecutive monthly drop in May.

Meanwhile, other figures yesterday confirmed the marked deceleration in economic activity in April after a sizzling first three months of 1997. Personal income grew by just 0.1 per cent, while consumplion rose by the same amount, the Commerce Department reported.

In the first three months of the year, personal consumption expenditures rose at an annual rate of more than 7 per cent, a surge in spending that was largely responsible for an overall rate of growth for the US economy of 5.8 per cent in the first quarter.

The April slowdown reflected a broader deceleration in activity that month, in industrial production and employment as well as in the housing market. The Commerce Department also reported yesterday that construction expenditure fell by 1 per cent in April, the sharpest fall this year, led by a steep decline in non-residential commercial construction.

Evidence of a sharp overall deceleration in the pace of growth in April seemed to have been a critical factor in the decision by the Federal Reserve not to raise interest rates again last month.

The slowdown and the Fed's inaction led to a jump in stock and bond prices in the last month as investors renewed their faith in the stable non-inflationary expansion that has been the hallmark of the US expansion for the last six years.

But if the NAPM survey is joined in the next few weeks by other reports showing a re-acceleration in growth in May, financial markets will go back on the alert for a further possible rate rise at the next meeting of the central bank's policy-making open market committee on July 1-2.

The Lost World to face first big predator

By Christopher Parkes in Los Angeles

The Lost World: Jurassic Park, which attained US blockbuster status at record speed and last weekend set records on its first foreign onting, faces snbstantial competition this week.

Con Air, a Walt Disney action film which opens on Friday, will put stars Nicolas Cage and John Malkovich up against the dinosaurs from Steven Spielberg's stable, which have sold more than $140m worth of tickets in the past 10 days.

After that, prospective blockbusters – big-budget films aiming for US box office revennes over $100m – will be released at a rate of one a week until late July.

The Lost World, a sequel to 1993's *Jurassic Park*, which still holds the world box office record for first releases with more than $900m, led the market in Australia at the weekend, with a gross of more than US$700,000 on its first day.

In the US, the film's estimated weekend take of $83m – 55 per cent lower than last weekend – suggested it has so far failed to attract the repeat buslness whicb helped make the original version such a success.

However, with at least $275m in revenues expected from the US, co-producers Universal Studios and Mr Spielberg's Amblin Entertainment, are assured of a substantial return on their production investment of less than $80m.

Its pre-eminence last weekend was underscored by the performance of competing films on release. *Addicted to Love*, a romantic comedy, was its nearest competitor, with a gross of $6.4m.

The top 10 grossed almost $65m – with more than half going to *The Lost World*.

The film may not break its predecessor's record but its chances of winning tha 1997 box office race were improved by postponement of the release of the *Titanic* disaster epic to December 19.

European films, Page 15

Banzer leads Bolivian poll

Close contest in first round of voting in general election

By Sally Bowen in La Paz

General Hugo Banzer, the 71-year-old former dictator of Bolivia, has emerged victorious from Sunday's first round of the country's general election.

In a closer contest than expected, early results gave Gen Banzer 22 per cent of the popular vote while his Accion Democratica Nacionalista (ADN) party gained 13 of the crucial 27 senate seats.

Only seven points separated tha top five parties. Mr Juan Carlos Durán, candidate of the governing Movimiento Nacionalista Revolucionario (MNR), is narrow favourite to win second place with close to 18 per cent. Former president Jaime Paz Zamora was still in the running, his MIR party polling around 17 per cent, according to unofficial results.

Banzer: 'I never intended to be a dictator'

Both populist parties, UCS and Condepa, did better than ever, even though the founder leaders of both parties have recently died.

The UCS's Mr Ivo Kuljis, a self-made business magnate, and Condepa's "Comadre" Remedios Loza, the first Indian woman candidate for the Bolivian presidency, each won more than 15 per cent of the popular vote and a number of seats in the lower chamber.

With a highly fragmented vote, speculation is rife about the alliances to be formed in the coming weeks in Congress. Only the top two parties are constitutionally committed to form a government. Local analysts agree that Gen Banzer has the presidency in his pocket. They expect that MIR, UCS and Condepa will be eager to support him in exchange for a cabinet posts. MNR will have difficulty rallying enough support among the smaller groups to mount a realistic challenge hut almost any combination of political forces is possible.

Alliance with the MIR could pose problems for the general, however. Mr Paz Zamora has been refused a US visa on suspicion of past links to drug trafficking.

Although the international community may feel misgivings at the prospect of a five-year Banzer presidency, there seems little cause for alarm. The now pro-democracy general has underlined his broad agreement with MNR's macroeconomic policies. ADN has promised to revise and renegotiate contracts with the international companies which have recently pledged $1.7bo investments under MNR's "capitalisation" programme but it is unlikely to do anything to discourage the flow of foreign capital which Bolivians are now convinced they need.

If General Hugo Banzer becomes Bolivia's president, it will be sixth time lucky for the former dictator, Sally Bowen writes. He seized power first in 1971 with widespread civilian backing from an earlier de facto government. "I never intended to be a tyrant or a dictator," he said in an interview on Sunday, "but yon cannot move directly from chaos and anarchy to democracy."

Though many Bolivians still recall the seven-year "Banzerato" as a time of order and stability, social unrest grew as authoritarianism and human rights violations increased. Under popular pressure Gen Banzer was obliged to call free elections.

A presidential candidate in every election between 1979 and 1993, he made his best showing in 1985, winning almost 33 per cent popular backing. Anti-Banzer feeling was strong enough, however, to rally the opposition parties behind second-placed Mr Victor Paz Estenssoro, who was proclaimed president by congress.

Gen Banzer tends to shrug off his somewhat unsavoury past and proclaims his allegiance to democracy and dialogue. Even so, he says a prime objective of his eventual government will be the "pacification of Bolivia" – the ending of the all-too-familiar pattern of strikes and street demonstrations. "Countries do not progress in disharmony," he says.

هكذا من الاصل

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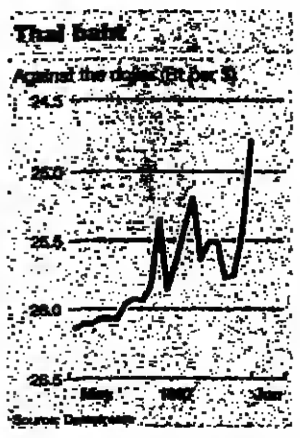
Industry output picks up in US

an poll

Bangkok tightens currency curbs



By Ted Bardacke in Bangkok

Thailand's central bank has strengthened its prohibitions on a large number of foreign exchange transactions as currency traders in offshore markets scrambling to buy baht pushed the Thai currency to its highest level in almost two years.

The central bank yesterday issued a circular saying financial institutions should suspend currency and interest swaps, forward rate agreements or currency and interest rate options. This, in effect, makes official its vague orders to local and foreign commercial banks in Thailand – made during the height of a spaculative attack against the baht in mid-May – to stop selling baht to foreigners.

Selling baht to foreign clients through forward baht/dollar agreements is prohibited. Tha central bank also said financial institutions should pay for unmatured baht-denominated bills of exchange, promissory notes, certificates of deposit and bonds in dollars only.

The regulations are designed to prevent speculators from accumulating baht which they can then use to drive down the Thai currency by selling it.

Traders in offshore centres of Singapore and Hong Kong said a large number of forward contracts were coming due this week and currency funds were in the spot market in search of baht to cover those positions. The swap market either has been shut down or is prohibitively expensive for those seeking to roll over their positions.

The baht yesterday closed stronger offshore at 24.80 to the dollar, compared with 25.05 on Friday and 25.85 in the domestic market yesterday.

The central bank circular said the prohibitions, described as "temporary", would not apply to transactions involving imports, exports, direct and equity investment. Financial institutions must report details of their foreign exchange transactions on a daily basis and retain documents for even legal sales of baht.

When prohibitions were first instituted, banks in Thailand said their activities and those of their clients were still moving smoothly. But more treasury managers now say dealings with non-speculative clients are beginning to be hurt. Foreigners are finding it hard to hedge investments in the Thai stock market, while clients of export-oriented companies are refusing to provide a forward exchange rate on contracts to buy manufactured goods. If these conditions persist or become generalised, funding of the current account deficit could be jeopardised, economists say.

Malaysian ministers called in over funds loss

By James Kynge in Kuala Lumpur

Mr Anwar Ibrahim, Malaysia'e acting prime minister, yesterday ordered two cabinet ministers to explain the alleged misuse of M$600m (US$240m), in the latest in a series of moves against improper practices.

A senior official in the primary industries ministry confirmed that the funds had been used to buy property and not for their intended purpose of planting rubber trees. The diversion of funds affected the livelihood of about 300,000 people. The official said the so-called Risda Replanting fund, set up to promote rubber cultivation, was now empty.

Mr Lim Keng Yaik, minister for primary industries and one of the two ministers summoned by Mr Ibrahim, alleged the M$600m Risda fund had been used for the purchase of "non-beneficial" assets.

The second man ordered to provide an explanation was Mr Annuar Musa, minister of the rural development ministry responsible for administering the money held in the fund.

Malaysia has shown eigne recently of cracking down on rising official corruption, which has been roundly criticised by both Dr Mahathir Mohamad, the prime minister, who is on leave overseas until next month, and Mr Anwar. Some observers suggest that Mr Anwar is taking advantage of his stint as acting prime minister to burnish his anti-corruption credentials, thereby increasing his chances of eventually succeeding Dr Mahathir.

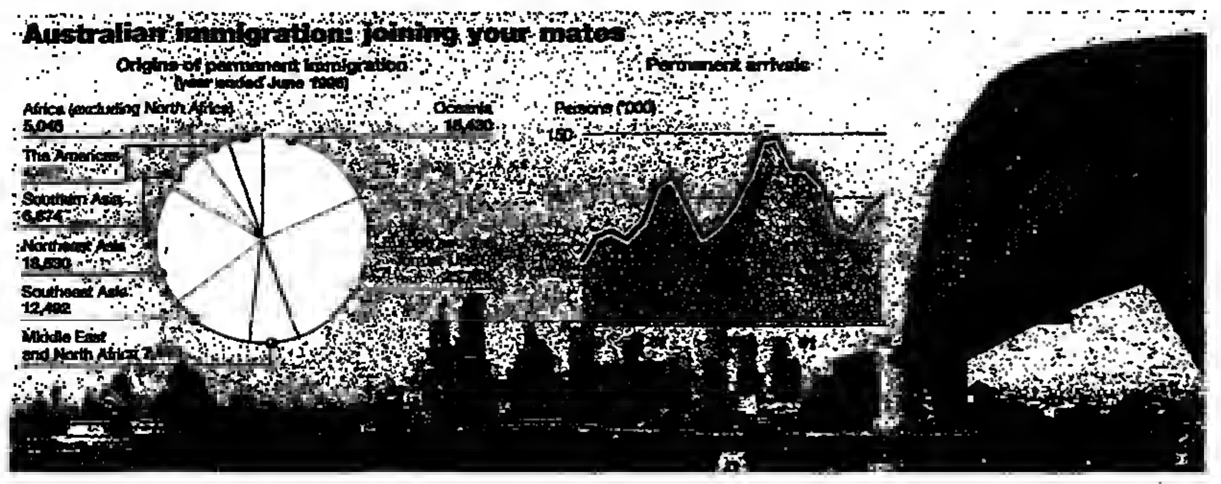
In e separate development, the national Anti-Corruption Agency (ACA) yesterday charged Mr Azman Abdul Ghani, an aide to the former chief minister of Malacca state, with receiving a Mercedes car for his role in approving a local project. The ACA is also looking for a second senior official connected with the case.

Another senior Malacca state official, Mr Sahar Arpan, was arrested for allegedly receiving a M$500,000 bribe to approve applications for the purchase of two lots of prime land.

Critics say official corruption is too easily concealed in Malaysia, where large contracts are regularly awardad without open tender, there is no "full disclosure" requirement for public companies and compliant media are discouraged from investigating official misdemeanours.

Australians shrink their welcome mat

Immigration has been cut but opinions divide on whether that's a good idea, writes Nikki Tait



The poster in a Sydney immigration office declares: "Welcome to our family." However, to some people in the lengthening queue of would-be Australians the sentiment might seem inappropriate.

For the second time since gaining office 14 months ago, Australia's conservative federal government has cut the ccuntry's immigration intake. Only 68,000 people will be admitted under the formal "migration programme" in 1997/98, 8 per cent down on the current year and fewer than half the 140,000 in 1989/90.

While the total number of "settler" arrivals will be bigber than last year – partly because of an additional, unchanged "humanitarian" programme of 12,000 places – the overall intake will be well down on the 145,300 in 1988/89, tbe last peak in the current cycla.

The decision to squeeze migrant numbers owes much to the controversial independent MP, Ms Pauline Hanson. Last year she claimed Australia was in danger of being "swamped by Asians" and went on to form ber own "One Nation" party, though she has since retreated from her more extreme statements.

Ms Hanson's enduring claim is that Australia cannot tolerate current migration levels when it has an unemployment rate close to 9 per cent. On this at least her views echo those of many other Australians. A recent AGB-McNair poll, for example, found that 65 per cent thought immigration levels too high, with unemployment cited as the main reason for that view.

Even Mr John Howard, the country's poll-sensitive prime minister, has expressed sympathy for the linkage. "Those wbo say [migration] is beneficial for employment levels are in my view locked into the paradigms of the 1950s and 1960s, and they don't understand the globalisation forces that are... impscting on the Australian economy in the 1990s," he said recently.

Sncb statements have much of the country's academic community up in arms. The most frequently cited review of migration's impact on the economy was carried out by Mr William Foster, a University of Malbourne statistician, for the federal Department of Immigration last year. It looked at numerous empirical studies, and concluded that "popular fears that immigration pressures down wages and/or adds to tha unemployment rate" were "unfounded".

His argument rested largely on an assessment of the "demand" implications of an active immigration programme, as well as the labour supply effects.

Immigration's impact on spending patterns, for example, tended to expand the national economy, while significant savings were brought in by new migrants – up to an average of A$141,900 (US$108,000) for "business migrants" according to one set of data for the late-1980s. Although new migrants increased demand for education, they tended to lower demand for health and social security services.

As for the labour market, Mr Foster decided that even here immigration probably had a "marginally favourable" effect on the aggregate unemployment rate.

"Given that the overseas-born have a higher unemployment rate than the Australian-born, it would appear that immigration has actually enhanced the employment prospects and tended to lower the unemployment rate of Australia's non-immigrants," he argued.

In the view of Professor Glenn Withers, at Australian National University in Canberra: "Just about every study supports the view that migrants add as many jobs as they take. I really haven't found a reputable study that shows anything different."

His explanation for the diametrically opposed public perception is that the "average" Australian tends to see new migrants gaining jobs, but fails to notice the less tangible demand forces.

Regionalisad problems may also distort public understanding of the issue. Ironically, as Prof Withers points out, immigration patterns in such areas tend to be more heavily influenced by Australia's humanitarian intake – which even critics of immigration tend to be reluctant to touch – rather than the more rigorously selected programme migrants. Unemployment among Hong Kong-born immigrants, for example, is about 1 per cent.

Australia's business community has tended to stand on the edge of the rumbling debate. Nevertheless, some companies do admit that Australia's migrant mix has been a definite plus.

American Express, for example, announced last year that it was setting up a Asia-Pacific regional operations centre in Sydney. "What we were looking for was a large enough local population, for all the main language groups, so that there was significant labour to draw on," it said.

The Business Council of Australia, one of the main employer organisations, has also chipped in. "Further general understanding and informed debate are needed to achieve reasonable convergence in views about the appropriate size of Australia's population and hence immigration targets," it said earlier this year. But it continued: "A sustained, positive level of immigration supports economic growth, and hence improvement of our living standards."

ASIA-PACIFIC NEWS DIGEST

Competition for Australia Post

Australia Post, the country's public sector postal monopoly, may be opened to competition in mail delivery and a range of other services, the federal government announced yesterday. It said the remaining limits to competition with Australia Post would be examined by the National Competition Council (NCC), and the organisation's involvement in a number of ancillary business areas – such as financial and bill-paying agency arrangements – investigated. The review will take almost a year, with a final report due in March 1998.

Australia Post has already been subject to "corporatisation", in an effort to put its operations on a more commercial footing, and ministers said yesterday that it had "responded well, providing a high-quality service with consistent productivity improvements". They added that the NCC had not been asked to look at the issue of Australia Post's ownership – in effect ruling out privatisation. *Nikki Tait, Sydney*

UK will not invite Burma

There are no plans to invite Burma to take part in next year's Asia-Europe summit in the UK, in spite of its admission to the Association of South-east Asian Nations (Asean), the British Foreign Office said yesterday. Participation by Asean states is not automatic, and, since European Union countries bar entry to Burmese ministers, it would be difficult to include them, a spokesman said.

Whether Burma is invited could depend on action it takes to improve its record on democracy and human rights, but the question of enlarging the Asia-Europe group is only due to be taken up at the summit meeting itself. Europe strongly supports the inclusion of Australia and New Zealand, as well as India and Pakistan, although this has been resisted by some Asian countries.

The EU said in a statement it hoped for continued co-operation between Europe and Asia, but it said the situation in Burma with regard to human rights and democratic principles was "of serious concern to the international community". *Peter Montagnon, Asia Editor*

Editorial Comment, Page 13

Julius Chan plans PNG return

Sir Julius Chan, who was forced to step down as Papua New Guinea's prime minister in late March, yesterday announced he was resuming the job, claiming to have been cleared by a judicial inquiry into the Bougainville mercenaries affair. His announcement comes just two weeks before PNG votes in a general election. Mr John Giheno, who replaced Sir Julius three months ago, had been expected to continue as acting prime minister until the poll was over and a new prime minister selected.

Mr Giheno raised questions over Sir Julius's decision, saying his own appointment was "legally binding, and the prerogative is mine to vacate the office". He added: "I will stay on if it means preventing the county facing a similar crisis it experienced at the height of the Sandline crisis."

Sir Julius stood down after days of civil unrest in Port Moresby in late March. The crisis had been triggered when Brig Gen Jerry Singirok, then head of the armed forces, announced the army had lost confidence in the government after its decision to employ Sandline, a UK-based firm of military consultants, to quell secessionists rebels on the copper-rich island of Bougainville. *Nikki Tait and agencies, Sydney*

Vietnam fraud probe death

Vietnam's biggest fraud scandal took a grisly turn yesterday when a senior executive at a heavily indebted textile company was found dead on the roof of a state-owned bank in Ho Chi Minh City. The body of Mr Nguyen Van Ha, deputy finance director at the troubled Minh Phung company, showed signs of mutilation, including rope marks around the neck, police said. They declined to say whether he had been murdered or whether the case was one of suicide.

The case comes at a time of growing concern about the spread of mafia-style dealings that pervade the country's fledgling private sector, particularly in the free-wheeling south. Minh Phung has been under police investigation since the arrest of its boss and 22 other company officials on suspected corruption charges. The arrears have been put at about $350m, a huge sum for any Vietnamese company. Some of the money is thought to be owed as a result of failed property deals. *Jeremy Grant, Hanoi*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	11.6	5.5	6.82	8.39	3.12
1988	4.2	5.4	7.65	8.84	3.61
1989	1.0	4.2	8.99	8.50	3.43
1990	3.6	5.5	8.06	8.55	3.60
1991	6.0	3.7	5.87	7.86	3.21
1992	12.4	1.8	3.75	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.79
1994	6.2	1.4	4.87	7.08	2.86
1995	–0.2	2.1	5.93	6.57	2.61
1996	–3.2	4.9	5.41	6.43	2.15
2nd qtr.1996	–2.4	5.4	5.42	6.70	2.18
3rd qtr.1996	–3.8	4.4	5.49	6.77	2.20
4th qtr.1996	–4.8	4.6	5.45	6.35	2.02
1st qtr.1997	–3.9	4.8	5.47	6.56	1.87
June 1996	–2.4	5.0	5.48	6.90	2.17
July	–3.2	4.7	5.53	6.85	2.25
August	–3.9	4.4	5.42	6.62	2.16
September	–4.2	4.3	5.62	6.82	2.15
October	–4.9	4.4	5.43	6.54	2.08
November	–4.7	4.7	5.41	6.19	2.00
December	–4.3	4.9	5.51	6.29	1.99
January 1997	–3.8	4.9	5.47	6.56	1.90
February	–3.5	4.9	5.40	6.42	1.84
March	–4.5	4.5	5.55	6.70	1.87
April	–5.2	4.8	5.71	6.88	1.95
May			5.69	6.70	1.81

JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.18	0.48
1990	2.6	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	–0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.18	0.87
1994	5.4	2.9	2.12	4.20	0.79
1995	8.2	3.2	1.12	3.39	0.86
1996	13.7	3.1	0.48	3.03	0.75
2nd qtr.1996	15.7	3.8	0.49	3.24	0.72
3rd qtr.1996	13.4	3.5	0.51	3.11	0.75
4th qtr.1996	10.6	3.1	0.42	2.62	0.77
1st qtr.1997	8.7	2.8	0.44	2.43	0.88
June 1996	16.3	3.8	0.46	3.16	0.71
July	14.3	3.7	0.55	3.27	0.74
August	13.8	3.7	0.53	3.14	0.79
September	12.2	3.5	0.43	2.61	0.79
October	11.0	3.7	0.43	2.75	0.76
November	10.6	3.3	0.42	2.62	0.77
December	10.0	3.1	0.42	2.48	0.80
January 1997	10.0	3.2	0.44	2.49	0.88
February	9.8	3.0	0.44	2.44	0.88
March	6.3	2.8	0.45	2.36	0.89
April	9.0	3.1	0.44	2.24	0.86
May			0.47	2.55	0.81

GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	9.0	7.3	4.03	6.14	2.21
1988	6.8	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.1	6.2	9.52	7.80	2.45
1993	6.4	7.8	7.28	6.47	2.11
1994	9.6	6.0	5.36	6.86	1.77
1995	6.7	0.2	4.53	6.82	2.00
1996	10.5	7.8	3.31	6.21	1.81
2nd qtr.1996	10.5	7.6	3.33	6.47	1.87
3rd qtr.1996	10.6	8.3	3.27	6.34	1.81
4th qtr.1996	11.1	6.1	3.16	5.89	1.86
1st qtr.1997	10.3	7.7	3.16	5.72	1.52
June 1996	10.4	7.8	3.38	6.57	1.84
July	11.3	8.7	3.38	6.48	1.85
August	10.9	8.5	3.29	6.30	1.81
September	10.3	7.9	3.12	6.23	1.79
October	11.9	8.2	3.12	6.00	1.73
November	10.0	8.2	3.19	5.86	1.69
December	11.3	7.8	3.23	5.79	1.61
January 1997	11.1	8.7	3.14	5.79	1.55
February	10.1	7.4	3.19	5.58	1.50
March	8.8	7.0	3.26	5.76	1.49
April	9.3	6.5	3.23	5.80	1.60
May			3.17	5.80	1.52

FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.1	11.5	8.63	9.46	2.75
1988	5.9	8.3	7.94	9.06	3.69
1989	7.5	10.0	9.40	8.78	2.88
1990	3.8	9.3	10.32	9.92	3.16
1991	–4.9	2.4	9.62	9.03	3.58
1992	–0.2	5.4	10.36	8.57	3.55
1993	1.8	–2.2	8.55	6.75	3.21
1994	2.9	0.7	5.84	7.21	2.99
1995	7.0	4.3	6.60	7.53	3.17
1996	0.4	–3.5	3.94	6.32	3.05
2nd qtr.1996	7.1	0.7	3.96	6.51	3.02
3rd qtr.1996	5.0	–1.0	3.86	6.35	3.16
4th qtr.1996	0.4	–3.5	3.48	5.85	2.92
1st qtr.1997	2.7	–2.6	3.35	5.57	2.63
June 1996	7.1	0.7	3.98	6.56	3.02
July	4.4	–0.1	3.84	6.46	3.15
August	6.7	–0.4	3.96	6.35	3.20
September	5.0	–1.0	3.76	6.24	3.13
October	6.1	–0.6	3.51	5.97	3.00
November	7.1	–0.7	3.47	5.84	2.90
December	0.4	–3.5	3.44	5.76	2.85
January 1997	0.6	–3.4	3.35	5.69	2.71
February	1.0	–3.4	3.39	5.39	2.52
March	2.7	–2.6	3.37	5.59	2.63
April			3.40	5.79	2.86
May			3.48	5.70	2.82

ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	10.4	6.6	11.32	10.58	1.94
1988	7.6	6.7	11.24	10.54	2.71
1989	7.2	6.2	12.42	11.61	2.46
1990	6.3	10.1	11.96	11.87	2.84
1991	7.6	8.5	11.83	13.20	3.45
1992	6.9	7.7	13.86	13.29	3.63
1993	4.7	7.4	10.22	11.23	2.35
1994	6.6	5.1	8.48	10.56	1.67
1995	0.2	0.4	10.38	12.22	1.72
1996	0.8	3.3	8.75	9.43	2.16
2nd qtr.1996	–0.7	3.6	9.01	9.89	2.24
3rd qtr.1996	1.4	4.1	8.59	9.38	2.49
4th qtr.1996	3.5	2.8	7.52	7.89	2.28
1st qtr.1997	6.2		7.29	7.44	1.97
June 1996	0.2	4.4	8.65	6.59	2.33
July	0.6	4.3	8.66	9.45	2.46
August	1.6	4.4	8.70	9.50	2.48
September	1.6	3.7	8.39	9.19	2.53
October	3.0	3.5	7.96	8.34	2.33
November	3.9	2.7	7.39	7.72	2.29
December	3.6	2.3	7.16	7.58	2.24
January 1997	7.4		7.20	7.43	1.98
February	8.5		7.29	7.15	1.86
March	6.8		7.39	7.71	2.05
April			7.09	7.73	2.16
May			6.83	7.35	2.22

UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1987	4.7	16.2	9.77	9.69	3.60
1988	6.8	17.3	10.41	9.62	4.48
1989	5.9	17.6	13.96	10.11	4.36
1990	5.3	16.1	14.82	11.56	5.07
1991	2.4	7.9	11.58	10.08	4.97
1992	2.4	5.1	9.74	9.09	4.91
1993	4.9	3.5	5.99	7.40	4.01
1994	6.4	5.1	5.57	8.01	3.94
1995	5.9	7.4	6.77	8.16	4.15
1996	6.7	10.1	6.11	7.79	4.08
2nd qtr.1996	6.7	10.1	6.06	8.06	4.08
3rd qtr.1996	7.2	8.7	5.83	7.85	4.13
4th qtr.1996	7.2	10.5	6.28	7.54	3.96
1st qtr.1997	6.7	10.8	6.34	7.39	3.79
June 1996	7.4	10.1	5.94	8.05	4.15
July	7.1	9.3	5.80	7.91	4.21
August	7.5	8.7	5.84	7.82	4.12
September	7.0	10.2	5.87	7.81	4.06
October	7.4	10.8	6.02	7.51	3.93
November	7.3	11.0	6.40	7.56	4.01
December	6.9	9.7	6.42	7.55	3.95
January 1997	7.2	10.0	6.41	7.53	3.83
February	8.4	11.2	6.29	7.17	3.73
March	8.4	11.1	6.32	7.44	3.80
April	8.0	10.2	6.48	7.61	3.85
May	6.1		6.55	7.15	3.66

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

NEWS: EUROPE

IGC faces proposals on competition protection

By Andrew Fisher in Frankfurt and Emma Tucker in Brussels

Germany and France have proposed changes to the European Union's founding treaty aimed at protecting public sector banking and other services from full competition by enshrining their status and privileges in European law.

Both countries have tabled amendments for discussion by the intergovernmental conference (IGC) on treaty changes now meeting in Brussels. This is due to conclude its work in mid-June at the EU summit in Amsterdam.

The German government, under pressure from the regional states (Länder), is seeking to extend the protection of public sector banks against further attack from the private banking sector by having their guarantee status written into the treaty.

This was strongly criticised yesterday by the German private sector banking association as "an incredible move". It said the government should drop the amendment, which would set a "dangerous precedent" by encouraging other EU member states to push for other treaty changes – "with negative consequences for the EU's competition rules".

The proposal is one of several put forward by EU countries seeking to exclude whole economic sectors from competition rules. France has tabled draft proposals aimed at protecting public services, such as gas and electricity.

A Belgian proposal seeks the same treatment for public service broadcasters because they are "directly related to the democratic, social and cultural needs of each society and to the need to preserve media pluralism".

This has infuriated commercial television companies, which say it would discriminate against private broadcasters. Mr Jan Mojto, president of the Association of Commercial Television, said it went against the basis of the internal market rules "by pushing for the renationalisation of an entire services sector".

The attempt to protect Germany's Landesbanks – which provide financial services for state governments and local savings banks – has also outraged some diplomats in Brussels. "The Germans just try to roll over us like a bulldozer without any democratic control whatsoever," said one. An EU banker said: "The competitive consequences could be dire."

The banking association – whose members include Deutsche Bank, Dresdner Bank and Commerzbank – said the basic principles of free competition should not be sacrificed for the Landesbanks, which operate in the European single market in the same way as private sector banks. Mr Wolfgang Arnold, deputy director of the association, said the German treaty proposal was "a discredit to Germany'e position as a financial centre".

The effect of the banking protocol would be to secure the Landesbanks a lasting advantage by excluding their guarantee status from competition rules. This gives them in effect unlimited state backing, enabling them to obtain top credit ratings and borrow at the most favourable rates in capital markets.

The German amendment proposes that it would be up to EU governments "to determine how to make it possible for their territorial public authorities [Länder] to fulfil their task of providing in the regions an efficient financial infrastructure with coverage for the whole region".

The German government has already held up settlement of a complaint to the EU Commission by the private sector banking association on the way Westdeutsche Landesbank, the biggest public sector bank, received e DM4bn ($2.3bn) capital injection through integration of a state housing development company.

Officials in Brussels fear the protocols could get caught up in horse-trading between member states as they thrash out treaty revisions which have to be agreed unanimously. Thus opposition from countries such as the UK might not be enough to prevent their inclusion.

German FDP calls for talks on gold row

By Ralph Atkins in Bonn and George Graham in Interlaken

Cracks emerged yesterday in the determination of Bonn government leaders to press ahead with revaluing Germany's gold reserves in the teeth of fierce Bundesbank opposition.

The Free Democratic party, junior members of Chancellor Helmut Kohl'e coalition, wes seeking urgent talks to reach an "amicable" agreement with the central bank. The call by Mr Guido Westerwelle, FDP general secretary, was the first hint of a breach in the coalition's united front.

The Bundesbank last week condemned the government's plans to revalue the country's gold reserves to help meet the Maastricht criteria for European monetary union.

Adding to the nervousness was a warning from Mr Alois Glück, parliamentary leader of another coalition member, the Bavarian Christian Social Union, that Emu might have to be delayed. Mr Glück, whose party is led by Mr Theo Waigel, the federal finance minister, emphasised the importance of a stable successor to the D-Mark.

In calling for talks, the FDP said it stood firm behind the principle of revaluing gold and other reserves, adding that the dispute with the Bundesbank was only over timing. Mr Waigel said he was prepared for talks, although finance ministry officials in Bonn indicated he was in no mood to climb down and said no appointment had been fixed with Mr Hans Tietmeyer, Bundesbank president.

The FDP's etance came against the backdrop of serious disputes within the coalition over Germany's mounting financial problems. An emergency meeting of coalition leaders on Sunday night failed to resolve difficulties over next year's budget. The FDP is opposing tax increases even though Mr Waigel has refused to rule out higher duties on goods including petrol.

In an excitable political atmosphere, exacerbated by coalition worries ebout the impact of the French elections on European economic integration, Mr Kohl cancelled plans to give a speech in Paris tomorrow. Instead, he will remain in Bonn, where Mr Waigel is due to give a statement to parliament on the revaluation.

The opposition Social Democratic and Green parties yesterday added to the pressure by announcing their intention to present motions backing the Bundesbank and demanding the sacking of Mr Waigel.

Speaking to international bankers in the Swiss resort of Interlaken, Mr Kohl insisted that the gold revaluation was not an assault on the Bundesbank's independence. It was a step that would be necessary by 1999 at the latest to bring Germany's accounting treatment of its gold and foreign exchange reserves into line with other EU central banks.

"This is indisputably a matter for the legislator. On this point there is no difference of opinion," he said.

Waigel: prepared to talk, but in no mood to climb down

EUROPEAN NEWS DIGEST

Socialists on trial in Spain

The trial of Mr Luis Roldán, the disgraced head of Spain's paramilitary Guardia Civil corps, on charges of massive embezzlement began yesterday in Madrid.

It will be the first of several court hearings in the coming months tackling allegations of widespread corruption under the former Socialist party government.

Mr Roldán, a one-time Socialist party stalwart who in 1986 was the first civilian to be appointed director-general of the Guardia Civil, is accused of embezzeling Pta1.1bn ($7.5m) during a seven year period running the national security force.

He spent 10 months on the run between April 1994, when he fled Spain, and February 1995, when he was arrested in Laos. His trial, which is expected to last several months, is likely to touch on issues such as the illegal financing of the then ruling Socialist party and government funding of a "dirty war" against suspected Basque separatists in the 1980s.

Separate corruption trials scheduled to appear before the courts will deal with slush funds allegedly set up by the Socialists; the alleged theft of security secrets by the former number two of Spain's intelligence service; and allegations that former Socialist security chiefs were directly involved with the "death squads" that fought Eta, the Basque separatist organisation. *Tom Burns, Madrid*

Norway counts computer cost

Solving the millennium "bomb" will cost Norway'e companies and public sector an estimated NKr30bn ($4.2bn), according to Norsk Brukergruppe, an association formed by Norwegian companies to tackle the millennium-end computing problem.

The worldwide problem is the consequence of software programming methods which store the year in a date as two digits rather than four – 97 rather than 1997, for example. Software using the two-digit convention will not be able to distinguish between dates in this century and the next.

As a result, companies will have to re-programme their computers to accept a four-digit field before 2000 to avoid computer chaos.

"A big Norwegian company will have to spend between NKr50m and NKr100m to make sure that its computers function in the year 2000," said e report by Norsk Brukergruppe quoted in the newspaper Dagens Naeringsliv.

In total, Norwegian companies will have to spend around NKr18bn and the public sector Nkr12bn to overcome the problem, according to reports. *Reuter, Oslo*

Goldsmith ill with cancer

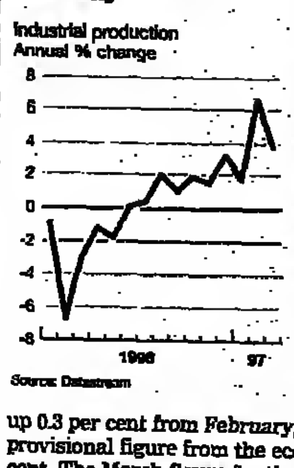
Sir James Goldsmith, the Anglo-French entrepreneur, is critically ill with cancer in a hospital near Paris.

Mr Goldsmith, 64, who made a vast fortune as one of the most cool and astute corporate raiders of his time, first suffered pancreatic cancer in 1985. However, he kept its recurrence secret when he led his Referendum party in the six-week campaign for the British general election on May 1.

The party, campaigning against further European Union integration, won more than 800,000 votes but failed to win a single seat in the election. *Reuter, Paris*

ECONOMIC WATCH

German production rises



German industrial output in the first quarter of the year rose 0.2 per cent above the final quarter of 1996, according to revised data from the Bundesbank. Manufacturing industry was up 2 per cent and production of semi-finished goods 1.4 per cent. Durable and consumer goods increased by 3.2 per cent and capital goods output was up 2.1 per cent. The construction industry, however, showed a fall of 10.4 per cent. The central bank said industrial production in March was up 0.3 per cent from February; this compared with a provisional figure from the economy ministry of 0.5 per cent. The March figure for the west of the country was 0.2 per cent above the month before; the east was up 2.8 per cent. *AFX, Frankfurt*

■ Sales of new cars in France fell by 23 per cent in May from a year earlier to 120,593 units, according to figures from the trade.

Since the beginning of the year sales have fallen to 691,465 units, 22.6 per cent lower than in the same period of last year.

مكافحة الارهاب

Campaign of violence hits voters' hopes

Roula Khalaf on the build-up to Thursday's poll in Algeria

Algeria's electoral campaign ended yesterday, marred by a spate of violent incidents and accusations of edministrative bias towards a pro-government party.

Thursday's legislative elections are billed by the establishment as a return to democracy, following e democratic experiment which ended five years ago with the army's cancellation of elections about to be won by the now-banned Islamic Salvation Front (Fis).

Some opposition parties, however, see the election as an attempt to legitimise a military-backed regime, in part because a new constitution voted in last November stripped the national assembly of many of its powers.

For the three-week campaign period, however, Algerian parties heve been allowed a period of free expression.

In the media and at rallies, the Socialist Forces Front (FFS) and the Workers' party (PT), the government's most strident critics, attacked its strategy of solving Algeria's five-year crisis by force and its human rights abuses.

They raised questions about the assassinations of leading political figures and warned that if the elections were rigged, as they expect them to be, Algerians would be called upon to take to the streets in a "pacifist revolution"

They were censored, however, when it came to referring to the cancellation of the 1991 elections as a "coup d'etat". Statements that the violence had claimed over 120,000 lives were also deemed excessive by the government.

Peace topped the agenda of most parties, although few voters expect the poll to have an impact on the violence that has gripped the country since 1992.

Opposition parties accused the government of systematic essislance of the National Democratic Rally (RND), the establishment party which is expected to emerge as a dominant force in parliament.

The RND was formed three months ago to try to recapture the vote that went to Mr Liamine Zeroual, the former army general elected president in November 1995.

Algerians voted for Mr Zeroual because they saw him as a man of integrity who might be able to act independently from the ermy and bring peace to Algeria.

The RND has relied heavily on the base of the National Liberation Front (FLN), the former ruling party blamed by Algerians for their social and economic woes. But it has tried to portray itself as a younger and more transparent version of the FLN.

The mood today in Algeria, bowever, is markedly different from late 1995. Many voters feel disappointed that the presidential elections did not bring an end to the violence, which still claims victims daily.

Economic reforms started in 1994, meanwhile, have exacerbated the social and economic problems.

Accusations against the RND range from its use of the national emblem in posters, banned under the elec-

Liamine Zeronal: RND trying to recapture his vote

toral rules, to the provision of government administrative support and facilitating rallies, while obstructing those of other parties.

Bias towards the RND has raised concern in Algiers that if the party fails on its own to win enough seats, the government will give it a boost on election day.

"The administration's tremendous support for the RND creates additional suspicion about how the elections will be conducted," said a western diplomat.

The other party that has attracted attention and attacks is the Movement for a Peaceful Society (MSP), the moderate Islamist party which used to be known as Hamas, and is expected to win a sizeable portion of the vote.

Like every other party, the MSP has been trying to woo the former Fis vote, despite being seen by Fis leaders as a government ally.

Sensing Hamas's appeal, government candidates running on the RND ticket last week went so far as to describe Mr Mahfoud Nahnah, its leader, as nothing less than e terrorist.

Palestinians deny link to killing of land dealers

By Avi Machlis in Jerusalem

The Palestinian Authority yesterday denied involvement in the deaths of land dealers suspected of defying a Palestinian ban on selling land to Jews. The denial followed an Israeli announcement of measures to prevent more killings.

"The Palestinian Authority utterly denies... any links to the deaths of the three men," said Mr Ahmed Abdel-Rahman, general secretary of the authority. He was referring to three Arab land dealers killed in recent weeks. The killings followed the authority's decision to revive a defunct Jordanian law invoking the death penalty against Palestinians who sell land to Jews.

The dispute highlights a struggle on both sides to assert sovereignty over land before the start of the final status talks which will focus on borders, settlements, Jerusalem and refugees.

Mr Benjamin Netanyahu, the Israeli prime minister, alleged that senior Palestinian officials had "openly encouraged these murders".

Mr Netanyahu and Israeli security officials decided to step up efforts to prevent further killings and to seek additional arrest of suspects. But Israel stopped short of demanding an end to the killings as a prerequisite for the resumption of peace talks with the Palestinians.

Israel said it was detaining 10 Palestinians suspected of involvement in the killings, six of whom were arrested after Israeli police thwarted an attempt to kidnap another land dealer earlier this week. Israeli police said four of those arrested in the attempted kidnapping were members of official Palestinian security organisations. However, the Arab land dealer whom Israel allegedly saved yesterday denied he had been kidnapped.

M. Freih Abu-Medein, the Palestinian justice minister, who has denied the Palestinian Authority's involvement in the killings but defended the law, said Israel was interfering in internal Palestinian affairs. Mr Medein said the authority would prosecute land dealers, as well as those who "take the law into their own hands". Palestinian officials said they had arrested 16 Arabs suspected of dealing land to Israel.

Palestinian officials accused Israel of waging a propaganda campaign against the authority. They said the authority had initiated the land sales ban in response to Israel's settlement policy in the occupied West Bank and at Har Homa in Arab east Jerusalem. Peace talks between Israel and the Palestinians have been frozen since Israel began building Har Homa more than two months ago.

Foreign investors favour Mideast manufacturers

By Samer Iskandar in London

Foreign direct investment in the Middle East has been gradually deserting oil-producing countries in favour of economies offering investment opportunities in manufacturing and services, according to the United Nations.

Saudi Arabia, which used to see annual inflows of about $5bn between 1982 and 1985, had received an average of $700m in the first half of the 1990s, said the authors of a study published yesterday*.

Conversely, inflows to Jordan have more than doubled in recent years, from $54m a year between 1986-90 to $112m in 1991-95.

"The sectoral composition and direction of foreign direct investment [FDI] into west Asia is changing, moving away from the oil industry and into manufacturing and services," the report, produced by the United Nations Conference on Trade and Development, said.

In the early 1980s oil-producing economies received over 96 per cent of the total inflows to the region, but this had fallen to about 50 per cent by the mid-1990s.

Among non-oil producers, Israel stands out as a significant beneficiary of the new trend, with inflows rising by over 250 per cent from an annual average of $166m in the second half of the 1980s to $419m in the first half of this decade.

Iran however bucked the trend. In recent years the country has become a recipient of roughly $41m annually in FDI, reversing annual outflows of $148m in the late 1980s.

Mr Andrew Whitley of Unctad attributed this shift to the end of the war with Iraq, as Iranians became less anxious to transfer their savings overseas.

The attractiveness of west Asian nations as FDI recipients is strongly dependent on market reforms. For example, Jordan's success in attracting invastmant is partly explained by a 1995 law scrapping legislation distinguishing Arabs from other investors.

"Improving their image to non-Arab investors has been a major objective of west Asian countries recently," the report said.

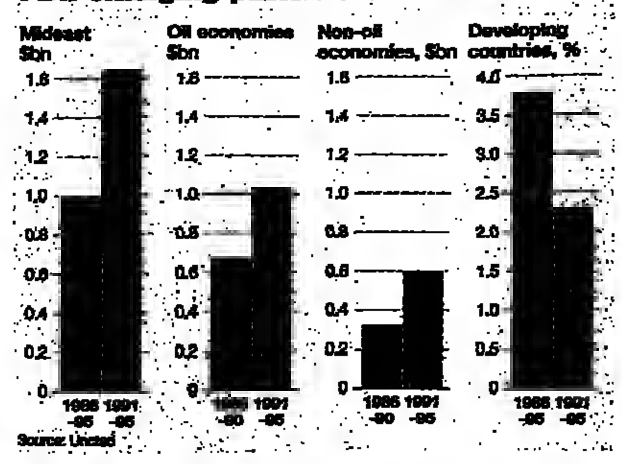
However, the pace of liberalisation has been slower in the region than in other parts of the world.

In this respect, "FDI is attracted more strongly to the growing economies of east Asia," according to Mr Whitley.

West Asia's proportion of FDI among developing nations has fallen to an average of 2.3 per cent in 1991-95, from 3.8 per cent in the preceding five years.

*World Investment Directory 1996, Volume VI, West Asia. United Nations Conference on Trade and Development.

FDI: changing patterns in Mideast



Nigerian naval shells kill 12 in Sierra Leone

Nigerian gunboats bombarded Sierra Leone's capital Freetown yesterday and fighting raged between Nigerian troops intervening to reverse an eight-day-old coup and Sierra Leone soldiers and rebels allied to coup leaders, Reuter reports from Freetown.

Shelling killed 12 people in the seafront Aberdeen district and terrified residents fled the area carrying bundles of possessions on their heads. They said several more civilians had been killed in cross-fire.

Rebels massed around a hotel in Aberdeen guarded by Nigerian troops where about 1,000 West Africans, Lebanese and Asians had taken refuge. Hotel guests and Nigerian aoldiers said the Nigerians were hopelessly outnumbered and the beach-side hotel near the Sierra Leone military headquarters was about to be overrun.

In the city centre, Revolutionary United Front (RUF) rebels and Sierra Leone soldiers secured positions in anticipation of an attack. A spokesman for the military government called on national radio for protests against the intervention. "Wa Sierra Leoneans are at the point of extinction, our beloved country at the brink of disintegration," he said. "Let us take to the streets now and say no to foreign intervention."

Several thousand people waving placards and bunches of leaves as a sign of peace protested against the Nigerians, saying they did not support the May 25 military coup, but they opposed foreign interference.

Nigerian ships in the bay west of Freetown began a bombardment at daybreak after talks between Nigerian and British diplomats and the coup leaders at the seafront military headquarters collapsed on Sunday night.

Support for the coup among the Sierra Leone military appears to be concentrated among low-ranking soldiers, who have borne the brunt of spending cuts as part of plans to scale down the army under the peace accord and resent the resources given to the civilian militia to fight the RUF.

Monetary policy experts appointed as chancellor of the exchequer sets Budget date of July 2

Top economists to advise central bank

Financial Times Reporters

Mr Gordon Brown, the chancellor of the exchequer, yesterday appointed four leading economists without strong Labour party affiliations to help determine UK interest rates on the Bank of England's new monetary policy committee.

"The whole point was to take politics out of the process of setting interest rates," said a member of the government. Mr Brown also confirmed that his special summer budget, whose centrepiece will be measures to reduce youth and long-term unemployment, will be on July 2.

With backgrounds in academia, industry and the governmant machine, the appointees to the central bank committee are:

● Professor Charles Goodhart of the London School of Economics. Before taking up his post as Norman Sosnow professor of banking and finance at the school in 1985, he served for 17 years as a monetary adviser at the Bank, becoming a chief adviser in 1980. Earlier he taught at Cambridge University and the London School of Economics. He will retain his post at the school while serving on the committee.

● Professor Willem Buiter, professor of international economics et Cambridge University, who was born in the Netherlands. Previously he held professorships at Yale, the London School of Economics and Bristol University, before which he taught as an assistant professor and lecturer at Princeton and the LSE.

● Sir Alan Budd, appointed chief economic adviser to the Treasury in 1991. He was previously group economic adviser at Barclays Bank from 1988 to 1991 after 14 years at the London Business School. Sir Alan has also held several outside posts including membership of the Securities and Investments Board, the City of London's chief regulator.

● Ms DeAnne Julius, chief economist at British Airways and a US citizen. Ms Julius, who was educated at the University of California and Iowa State University, came to the UK in 1986 after a spell at the World Bank in Washington. Her first UK position was as director of the international economics programme at the Royal Institute of International Affairs. She joined Royal Dutch Shell as chief economist in 1989 and moved to the same position at BA in 1993.

Mr Eddia George, the Bank's governor, said they would "make a major contribution to the quality of the Bank's monetary analysis and to the authority of our monetary policy judgments".

Their selection marks an important stage in the transfer of control over the setting of interest rates to the Bank of England, announced a month ago by Mr Brown.

Another important step in this process will be the disclosure in a speech by the chancellor later this month of the mechanism for making the newly-empowered Bank accountabla to parliament for its performance in keeping inflation at the target rate of 2.5 per cent or less.

The committee will eventually comprise nine members: yesterday's four appointments, plus the Bank's governor, two deputy governors and the two executive directors responsible for monetary policy and market operations.

Editorial Comment, Page 13

The monetary policy committee yesterday came under pressure to raise interest rates, with purchasing managers reporting accelerating manufacturing activity in spite of weak export orders, Robert Chote writes. Manufacturing activity is growing at its fastest rate for two years, according to the latest monthly survey by the Chartered Institute of Purchasing and Supply. Factory output, order books and employment all grew more robustly in May than they did in the previous month.

Export order books continued to grow, albeit at their slowest rate since the purchasing managers' survey began tracking overseas demand 17 months ago. With tha strength of sterling bearing down on export orders, the institute said that UK consumers were the main source of new business for manufacturers.

Consumer credit rose by a net £691m ($1.12bn) in April, down from an increase of £793m in March. But gross consumer borrowing rose by £9.1bn in April, the biggest increase since records began in April 1993.

Norway salmon deal gains industry approval

By Neil Buckley in Brussels and James Buxton in Edinburgh

A deal under which the European Commission will impose restrictions on Norwegian salmon exports last night gained approval from initially sceptical Scottish salmon industry leaders and UK ministers.

Commissioners voted late on Sunday night to accept the deal negotiated by Sir Leon Brittan, the trade commissioner. He had originally advocated anti-dumping duties after Brussels found that Norwegian producers, helped by state subsidies, were flooding the European Union market with below-cost salmon.

The deal includes five-year undertakings from Norway to sell its salmon above a minimum price of Ecu3.25 ($3.73) a kg, limits on export growth, an increase in Norway's own tax on salmon exporters and regular monitoring. Breaches would be punished by immediate tariffs.

Mr William Crowe, chief executive of the Scottish Salmon Growers Association, said the enforcement measures would be extremely rigorous. "This time the Commission is determined to make its measures stick," he said.

But the plan to accept minimum price guarantees rather than impose 14.5 per cent duties split the Commission and provoked a bitter row between Sir Leon and fellow UK commissioner Mr Neil Kinnock, the transport commissioner, who said the deal was inadequata. It was backed by only 11 out of 17 commissioners present – the minimum required – with one abstention and five votes against, including Mr Kinnock. Ha blocked an earlier, less stringent version of the deal last Thursday, saying be was still "not convinced it protected UK producers against unfair competition".

Sir Leon said duties would have had to be confirmed by EU ministers after six months – and most had indicated they would oppose them. That made the five-year voluntary deal preferable.

UK NEWS DIGEST

Strike threat to BA operations

British Airways faces the threat of a strike by 9,000 ground staff, mainly at London's Heathrow and Gatwick airports. A trade union leader said the dispute might ground the airline in coming months. The Transport and General Workers' Union is to ballot baggage handlers, check-in employees, catering and clerical staff in a dispute over the contracting out of catering work. BA said it had contingency plans to deal with any industrial action and insisted it would continue to operate.

The result will be announced on June 30 and any action could start a month later. BA said there was no justification for a strike and hoped its staff would show common sense. "We have to call into question whether this is the action of a truly modern trade union," is said. The union is also balloting 9,000 BA cabin crew workers over a dispute ebout working practices. *Andrew Bolger*

■ RAIL FREIGHT

Service aimed at rivalling road

A high-speed freight train service which claims to provide delivery times as fast as those achievable by road was launched yesterday by English Welsh & Scottish Railweys, the UK rail freight offshoot of Wisconsin Central Transportation. The new service will involve trains running at speeds of up to 75mph (120kph) compared with the present maximum of 60mph (95kph) and will reduce the full north-south journey time from 12 bours to less than nine. This will permit everage speeds of 50mph, which is comparable to road haulage, said Mr Julian Worth, EWS business development manager. To meet growing demand, EWS is on the point of signing an agreement with Thrall Car, e US wagon manufacturer, to establish a UK factory to make between 500 and 1,000 wagons a year over the next five years. *Charles Batchelor*

■ NATIONAL LOTTERY

Chief offers charity payments

The dispute between Camelot, the consortium which operetes the Netional Lottery, and the government over bonus payments to directors intensified last night. Sir George Russell, chairman of Camelot, yesterday offered to donate to charity a sum equal to the special long-term bonuses being given to top management. Mr Chris Smith, the chief minister responsible for the lottery, said he wanted to see the directors handing over "some or all" of their special bonuses to charity to meet what he believed was public anxiety over the directors' high earnings.

The members of Camelot are: Cadbury Schweppes, the UK food and drink group; De La Rue, the security printers; Racal Electronics; ICL, a UK offshoot of Fujitsu; and GTech, the US lottery equipment supplier.

Camelot last week announced that total payments to 10 executive and non-executive directors for the year to the end of March had risen by 40 per cent to £2.35m ($3.81m). *Raymond Snoddy*

■ CJD DEATH

Case takes total to 17

A new case of the strain of Creutzfeldt-Jakob disease that is linked to bovine spongiform encephalopathy – mad cow disease – was reported yesterday by the Department of Health, the first for three months. It takes the total of confirmed and probable cases of new-variant CJD to 17. The latest victim has died, leaving only one of the 17 still alive. The number has risen slowly since the announcement in March last year that 10 cases of the new strain, which affects young adults, were probably linked to meat infected with BSE. *Alison Maitland*

■ SHARE DEALING

Tradepoint moves on 'rumours'

Tradepoint, the electronic share dealing exchange, has completed an "interim financing", staving off its possible placing in the hands of an administrator. The company, whose shares are traded on the AIM market in London and on the Vancouver Stock Exchange, issued a terse statement yesterday after what it termed "market rumours". Mr Stephen Wilson, finance director, said the financing was necessary because plans for long-term finance could not be arranged in time to satisfy Tradepoint's bankers. Tradepoint is losing about £450,000 ($733,500) a month. *Norma Cohen*

AT&T to invest at least $50m a year

By Alan Cane in London

AT&T, tba biggest US telecommunications company, is to invest between $50m and $100m in the UK annually for the foreseeable future, Mr Merrill Tutton, cbiaf executive of AT&T(UK), said yesterday.

The expansion, which will see the establishment of new network operations and customer care centres, will create 250 jobs.

Mr Dennis Roth, chief operating officer, who will taka over from Mr Tutton this year, said the UK was AT&T's "most significant market outside North America". AT&T(UK) launched a full range of service in the UK at the beginning of 1996 but has been reluctant until now to give details of its strategy.

It now claims more than 2,000 business customers and 15,000 residential customers. It expects to turn over about $450m in the UK this year.

Revenues were growing at about 40 per cent a year, Mr Tutton said, but because of the cost of building its network and installing switches it does not expect to be profitable before 2000.

Calling volume on the company's UK network had grown 10 times in the past year and now stood et more than 1m a day, equivalent to 150m minutes of use a month. The company says it is the biggest provider of outsourcing and communications services to the health sector. Mr Tutton said the company was in discussions at a European level with a number of other operators. These may lead to a strategic elliance or commercial partnership.

● GPT, the UK's biggest telecommunications equipment manufacturer, is creating 400 jobs to meet increasing international demand for advanced transmission systems. The company, in which GEC has a 60 per cent stake with Siemens of Germany holding the remainder, is looking for experienced engineers and graduates.

Mr Tony Lewis, recruitment co-ordination manager for the company's public networks group, said: "Demand for telecommunications equipment started to pick up early in 1996 and it has now reached impressive levels".

The chief reason for expansion has been the success of tho group's Synchronous Digital Hierarcby technology, a key component of high capacity information systems such as the internet. GPT says it has some 32 per cent of the world market for SDH systems.

ARTS

Alastair Muir

Exquisite: the Kirov divinity Altynai Asylmuratova, who triumphs over everything

Trapped by the dying swan

Today's productions of Petipa's masterpiece are travesties, argues Clement Crisp

Here is a dreadful statistic. Since its first Petarsburg performance in 1895, *Swan Lake* has been staged *in over 150 versions* by *more than a* 115 companies in 25 countries. These dire facts are a decade old, and not a day passes but somewhere, someone is still busy crafting yet another ramshackle coffin for what should be seen as a masterpiece, and is everywhere betrayed. in its latest manifestation – Derek Deane's arena production for English National Ballet which opened at the Royal Albert Hall on Thursday – it is a cross between the chariot race in *Ben Hur* and a pillow fight in the dorm. There is a great deal of rushing about, and feathers everywhere.

Swan Lake is no longer a ballet. It is a cliché, a collection of received ideas about "ballat" that are as wrong as they are dated. It is a fraud, an insult to Petipa and Ivanov (who made the choreography in 1894/5) and to Tchaikovsky, a trap for the unwary, both producers and *audiences. It is the ballet everyone* knows, and hence money in the bank for a company presenting it. For Deane, determined to raise ENB'a public profile, needing to play for time and audiences in the shamefully underfunded world of British ballet, it is a means of generating publicity, audiences, sponsorship (American Express backs the staging) and of pulling tricks that our dance companies must now use in order to survive. It is, on these terms, a clever coup. Artistically, it is a non-starter, unless your taste runs to gigantism.

Dance in the round is a denial of what traditional ballet is about. The old repertory demands a proscenium arch because its choreography is constructed to have its focal point in the audience. Deme'a problem with *Swan Lake* is to direct its action to an encircling public. So the dance *shifts its focus, slowly rotating. It is* cleverly placed – Deane earns respect for how he has done it, if not for what he has done – yet it makes little impact. The orchestra plays on a rostrum below the organ (and Odette makes an unlikely appearance at the and of Act 3 in the organ loft, at which moment every dancer flees the stage as if anticipating that she is going to give us a tune). We view regiments of peasants, courtiers and the sixty-something swans milling about – and there are far too many swans to make sense other than as an example of the kind of congestion usually seen among penguins in the antarctic. And as setting for this activity there are serried ranks of faces. Theatrical illusion there is none. Wa are watching a display by obliging dancers in Peter Farmer's rather dull costumes, with a few bits of rustic furniture *(style Garden-Centre) for the first* act, and red benches for the ballroom, gazing the while at the patrons across the arena.

Swan Lake is vastly more than this, as I know from two stagings (out of scores, hundreds!) which honoured the ballet for what it again might be, even in today's circumstances. The Royal Ballet's 1940s version (magically *designed by Leslie* Hurry) and the Kirov production before the fell hand of Oleg Vinogradov was laid on it, told great truths. Tha texts were decent views of Ivanov/Petipa. The dance style had clarity and noble outlines that made the choreography sing. The atmosphere and setting were by turns lyrical and haunted by tragedy. Tchaikovsky's elegiac poetry and the hierarchic world of the traditional ballet (of which *Swan Lake* is one of the grandest examples) were comprehen*sible. On these terms*, which are still attainable: given love and respect from a company, *Swan Lake* can be not only the most popular but the most moving of ballets. Unlike much of the old repertory, it speaks of real emotion, of innocence destroyed, of love and sexual passion in conflict, of the pursuit of an ideal cast in terms of the near unattainable in human physique. (Odette/Odile is a role for a miraculous few, not the hlustering many whom we watch night after night.)

A staging such as Deane'a for ENB is catch-penny, forced upon him by the awful circumstances of arts policies in this country. Whataver disappointments attach to it are owed more to government agencies than to Deane. Ballet is now in massive trouble in Britain. *As funding fails*, so do artistic integrity and audience hopes of better things. Playing safe means loss of artistic credibility. Ludicrous pricing cuts off hope for a new audience. *Lumpen or extravagant productions* (the Royal *Sleeping Beauty* the most scandalous example; Deane's *Alice in Wonderland* proof of the power of a title over content) must rely upon a public as artistically inert as the companies playing to them. Wa get what we pay for, and without proper funds we shall never again have lively ballet at affordabla prices for the many, rather than platitudes for the corporate few. There must come a review of balletic activity in this country, if only to recognise the value of what companies such as ENB can and should provide.

The merit of Thursday evening lay in the presence of Altynai Asylmuratova (the Kirov divinity) as Odette/Odile. *Triumphing over everything* – the setting, the flummery, even the need to keep shifting the angle of her dancing so that the audience might savour her exquisite line – she danced *Swan Lake* on grandest terms. Her Odette seemed at first muted, though one arabesque, poised for eternity before our eyes, was worth any money. Odile was luscious, predatory, irresistible in beauty (and Asylmuratova is the most beautiful woman in the world), and her last act a lyric tragedy. Her Siegfried was Roberto Bolle from Milan. He looks very young, and seems agreeable as a dancer. His characterisation in Act 1 amounted to little more than promenading his buttocks slowly round the arena. His dancing will be better judged in a theatre. Everyone else danced and danced and danced. Flash hulbs went off. *Dry* ice abounds. The programme book is flashy, ugly.

As an insight into *Swan Lake*, let me commend Roland John Wiley's new book. Lev Ivanov, whose choreography for the lake-side has *endowed Swan Lake with its imagery*, is a figure almost unknown to us. Soviet writers inevitahly proposed him as a Russian victim to Petipa's dominating foreign presence. Professor Wiley's *The Life and Ballets of Lev Ivanov* (OUP) offers a fascinating, scholarly study of his ballets and his life. A major figure is rescued from oblivion.

Asylmuratova's performances in *Swan Lake* are sponsored by Churchill Inter-Continental, London.

Theatre/**Ian Shuttleworth**

Cherry Orchard moves south

Sometimes it seems all but impossible to see a production of one of Chekhov's major plays in English without the action having been relocated – to Ireland, as in works by Brian Friel and Frank McGuinness; to Wales, in Anthony Hopkins' stage and film versions of *August*, née *Uncle Vanya*. It is difficult, however, to imagine a relocation which works as comprehensively as this *Cherry Orchard*, directed by Janet Suzman and adapted by her from an original South African version by Roger Martin, and presented by *Birmingham* Rep in a co-production with the Market Theatre of Johannesburg, where it will shortly be seen.

The *Ranevskys, the symbol of* the waning Tsarist gentry, become the Rademeyers, liberal Afrikaners whose place is likewise growing obsolete in the post-apartheid Free State where the house and estate stand; Lopakhin, the prosperous peasant farmer, is reincarnated as black entrepreneur Lebaka, who plans to build timeshare holiday homes where the orchard now stands; Trofimov the tutor is now Thekiso, the "eternal student" and ANC activist, with the result that his relationship with younger daughter Anna is cross-racial. Most daringly, this version makes explicit the theory that adopted daughter Varya is the illegitimate child of the late Ranevsky; here, Maria is the coloured offspring of Rademeyer and, one presumes, one of the estate workers.

The familiar Chekhovian tale of the twilight of a well-intentioned but ultimately uncomprehending social order is given immediate relevance in the light of present-day transitional Sonth Africa; personal relationships acquire an additional edge of poignancy for being painted in more directly understandable terms; the difference is between Phekiso and Lebaka as to the way forward for the country to become palpably political rather than historico-philosophical. The language of the play bubbles vitally as phrases of Afrikaans and Sotho are fired off amid the English *dialogue*, and it is once again possible to play the last act convincingly as equal parts elegy and all-change hustle.

Estelle Kohler's Madame Lulu Rademeyer *is sentimental* yet articulate, and Jack Klaff as her brother Leo Guyver is a mini-whirlwind in the form of a middle-aged duffer. Burt Caesar puts his resonant voice to good use as Lebaka, especially in his third act speech as the new owner of the estate, which threatens only for an instant to veer from straightforward triumph into revanchism; he is well matched by the passionate commitment, both political and personal, of Fana Mokoena as Thekiso. All hut three of Suzman's company are Sonth African, and one feels almost physically the powerful determination of director and cast to do full justice both to Chekhov's play and the cusp of the South African future which it now luminously portrays.

Birmingham Rep Theatre until June 14 (0121 236 4455).

'Point of Separation', a woodcut by Eileen Cooper on show at this year's Royal Academy Summer Exhibition

Bed-rock of British art flourishes

The annual Royal Academy Summer Show, the 229th in unbroken succession since 1769, is the largest exhibition of a kind that no longer exists outside the British Isles. It shows the work of its members, up to six works apiece, alongside works selected from the open submission, up to three per artist. Run by artists in the interests of artists, in both principle and practice it lies at the very core of the academy'a being; without the Summer Show, no matter how splendid its other shows throughout the year, there would be no Royal Academy, for the heart would have gone out of it.

This year some 1,200 works are shown, of which the academicians account for about 380. From an open submission of 11,286, 820 were selected. A thoroughly professional affair, it celebrates that broad stratum of professional *engagement, from* the objectively representational to the uncompromisingly abstract, which may not accord with current curatorial or commercial avant-garde *fashion*, hut *is* the *true strength* and bed-rock of British art. That of course may be the trouble.

The show is quite as large as usual, for although one room was made unusable by the recent fire, architecture has heen left out to make way for paintings. The hang was the work of a small committee led hy Elizabeth Blackadder, whose own painting in Gallery III, "Dark Pool in the Alhambra", with its flicker of ornamental fish, is for me the best in the show. It is one of the oddities of modern reputation that attractivaness of subject-matter should somehow militate against serious recognition of the actual quality of the work. She is one of the best painters we have, and should have had her Tate retrospective years ago.

It is indeed one of the nice features of this summer show throughout that, while we may remark and welcome the presence of those academicians and their guests whose reputations have been made far beyond the academy itself, it is in fact the work of the more reticent though no less distinguished souls that comes shining through. The first room of all makes tha point, with a huge white canvas by the German painter, Anselm Kiefer, stuck all over with sunflower seeds, on the left-hand wall. Yet the smaller, so freshly painted "Sunflowers" of Olwyn Bowey beside it, and the dark and subtle "False Flower" of Prunella Clough across the room, are really what hold the eye and catch the imagination. And how right that the late William Gear should have his true worth acknowledged, alheit posthumously, in such company.

Next door, Kitaj has surrounded himself with the token presence of his friends – a sharp early drawing of Francis Bacon by Lucian Freud; a plastic bottle by David Hockney; a charming tribute to the late Michael Andrews by Peter Blake; a Kossoff drawing; an Auerbach head. But the large dark drawing of a eeated figure hy Leonard McComb, and Allen Jones's tough and clever "Catwalk", of skirts and paparazzi at a fashion show, are the best things in the room.

But it is an arbitrary, invidious business to pick things out in snch a show, and if I name names it is only to say something of the quality and breadth of interest of what is available – the prints of Norman Ackroyd, Jenny Dickson, Peter Freeth, Terry Frost; Chris Orr and Adrian Bartlett; the drawings of Holly Karn, John Maine and Victor Newsome; the sculpture of Bryan Kneale, Geraldine Knight, William Pye, the late Ivor Roberts-Jones, Nicola Hicks, Bernard Sindall and Katherine Gili.

There are any uumber of good paintings, from the abstraction of Sandra Blow, Noel Forster, John Holden, Paul Huxley and the late Alastair Grant (a more-than-deserved memorial tribute to a uon-member), to the various figuration of Gus Cummins, John Bellany, John Ward, John Houston, Adrian Berg, Norman Adams, Barbara Rae, Edward Fairfax-Lucy, Martin Brown, Ian Humphries, Stan Smith and Susan Wilson. I particularly liked Tom Coates's painting of a woman reading, Victoria Russell's seated woman, Tricia Gillman's abstracted dream, Martiu Brown's fish still-life and Ben Levene's lilies against a landscape. Norman Blamey's portrait, of his son sitting in a corner, is the best of tha figure paintings and an outstanding work by any measure. But see for yourself.

William Packer

The Royal Academy Summer Exhibition 1997: Burlington House, Piccadilly W1, until August 10; sponsored by Guinness plc.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Orkest van het Oosten: with conductor Jaap van Zwedan and pianist Niek van Oosterum in works by Mendelssohn; Jun 5

■ BERGAMO

CONCERT
Teatro Donizetti Tel: 39-35 399 320
● Francesco Nicolosi: the pianist performs works by Liszt, Herz, Thalberg and Moscheles. Part of tha Festival Pianistico Internazionale di Brescia e Bergamo; Jun 4

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Ensemble Köln: with conductor Robert *Platz and pianists Kristi* Becker and Pi-Hsien Chen in works by Schoenberg and Böhmer; Jun 4

■ BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Nabucco: by Verdi. Conducted by Renato Palumbo, performed by tha Orchester der Beethovenhalle Bonn and the Oper der Stadt Bonn. Soloists includa Mauro Augustini, Alexander Spemann and Lucia Naviglio; Jun 4, 7

■ EDINBURGH

EXHIBITION
Scottish National Gallery of Modern Art Tel: 44-131-5568921
● *Picasso: Works from the* Collection and Works on Loan: exhibition of 25 pieces from the Gallery's Picasso collection, together with three additional paintings on loan. Included in the display is a rare early collaga work and a number of books containing watercolour sketches; *to Jul 30*

■ FRANKFURT

CONCERT
Alte Oper Tel: *49-69-1340400*
● Litauisches Kammerorchester: with conductor Hans-Dieter Resch in works by Haydn, Stravinsky and Mozart; Jun 4

■ LONDON

CONCERT
Barbican Centre Tel: 44-171 382 7000
● London Symphony Orchestra: with conductor André Previn, contralto Anne-Marie Owens, sopranos Elizabeth Futral and Juanita Lascarro and baritone David Wilson-Johnson in works by Ravel; Jun 5
St. Martin-in-the-Fields Church Tel: 44-171-9300089
● Primavera Chamber Orchestra: with conductor Paul Manley in works by Handel, Pachelbel, Corelli, Vivaldi and Bach; Jun 5

DANCE
London Coliseum Tel: 44-171 632 8300
● *L'Allegro, Il Penseroso ed Il* Moderato: choreographed by Mark Morris to music by Handel, performed by the Mark Morris Dance Group; Jun 5, 6, 7, 8, 9, 10

EXHIBITION
Queens Gallery Tel: 44-171-9304832
● Views of Windsor – Watercolours by Thomas and Paul Sandby: collection of works by the brothers who were important figures in the *development of watercolour* painting in England during the second half of the 18th century. The exhibition includes a number of Paul Sandby's best known views of Windsor Castle; to Jul 13

THEATRE
Cottesloe Theatre Tel: 44-171-9282252
● King Lear: by Shakespeare. Directed by Richard Eyre; to Jun 24

■ MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Pedro Corostola: performance by the cellist, accompanied by the pianist Manuel Carra. The programme includes works by Brahms; Jun 4

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Glory of Byzantium: major exhibition of the art of the middle period of the Byzantine Empire *(from the mid-9th through to the* mid-13th centuries), when Byzantium set a standard of imperial elegance for both contemporary Western Europe and the Islamic east; to Jul 6

THEATRE
Inter Theatre Tel: 1-212 279 4200
● My Night With Reg: by Elyot. Directed by Jack Hofsiss. The cast includes Maxwell Caulfield, Ron Bagden and David Cala (prov *end date); from Jun 3 to Aug 31*

■ PARIS

EXHIBITION
Musée du Louvre Tel: 33-1 40 20 50 50
● Centenary exhibition of the Society of Friends of the Louvre; to Jul 21

■ ROME

OPERA
Teatro dell' Opera di Roma Tel: 39-6-481601
● Il Barbiere di Siviglia: by Rossini. Conducted by Hugo de Ana. Soloists include Bruno Pratico, Roberto Frontali and Ildebrando d'Arcangelo; Jun 6

■ SAN FRANCISCO

OPERA
Golden Gate Theatre Tel: 1-510-6714000
● Madame Butterfly: by Puccini. Conducted by Marco Armiliato and performed by the San Francisco Opera Orchestra and Opera Chorus. *Soloists include* soprano Rosalind Sutherland, mezzo-soprano Elizabeth Bishop and soprano Nicolle Foland; from Jun 7 to Jun 29

■ SEOUL

CONCERT
Seoul Arts Center/Concert Hall Tel: 82-2-580-1800
● The Juilliard Orchestra: with conductor Hugh Wolff in works by Strauss, Bruch and Bartok; *Jun 4, 5*

■ SPEYER

EXHIBITION
Historisches Museum der Pfalz Tel: 49-6232-13250
● Keith Haring: large scale retrospective of the late American artist's work, featuring 250 printed works produced 1982-1990; from Jun 7 to Sep 14

■ THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Caravaggio: exhibition of works by Michelangelo Merisi da Caravaggio (1573-1610), shown alongside a number of works by his followers, known as the "Caravaggeschi"; to Jun 15

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Symphoniker: with conductor Ulf Schirmer and pianist Leif Ove Andsnes in works by Haydn and Shostakovich; Jun 4, 5, 6, 7

OPERA
Wiener Kammeroper Tel: 43-1-5120100
● Viva la Mamma – Le Convenienze ed Inconvenienze Teatrali: by Donizetti. Conducted by Marco Buffalini. Soloists include Stefania Donzelli and Adrian Eröd; to Jun 21

■ ZURICH

DANCE
Opernhaus Zürich Tel: 41-1-268 6666
● Zürcher Ballett performs *Aventures & Nouvelles Aventures* choreographed by Spoerli to music by Ligeti and *In the Middle of Somewhat Elevated* choreographed by Forsythe to music by Willems; Jun 5

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Financial Times Business Tonight

Martin Wolf

Marshall's lasting legacy

The US post-war plan for Europe provided the lubricant for economic recovery, but the money donated by Washington was not itself decisive

On June 5 1947, George C. Marshall, the US secretary of state, addressed Harvard University on "the requirements for the rehabilitation of Europe". From this speecb was born the Marshall plan, described by Winston Churchill as "the most unsordid act in history". What then followed largely explains the contrast between the west's inter-war disaster and its post-war triumph.

Wisely, the US insisted, in Marshall's words, that "It would be neither fitting nor efficacious for this government to undertake to draw up unilaterally a programme designed to place Europe on its feet economically ... The initlstive, I think, must come from Europe." Fortunately, it did. Ernest Bevin, the British foreign secretary, saw the significance of the speech, as did his French counterpart, Georges Bidault.

The speech was a response to the dire condition of the European economy: shortages of food and fuel, the decline in intra-European trade to half its pre-war volume, largely conducted through bilateral agreements or direct barter, and the pervasive shortage of US dollars. The underlying fear was that democratic governments would collapse, notably in France and Italy, where strong communist movements waited in the wings.

The plan provided the luhricant of recovery. Its most valuable gift was the confidence needed to end what Marshall called "the dislocation of the entire fabric of European economy". Inevitahly, revisionists have argued it was unnecessary. But Europe's gross national product expanded hy a third hetween 1948 and 1951, while industrial production in western Europe (excluding tha UK) rose hy more than 70 per cent. Maybe this would have happened without the plan. Fortunately, that hypothesis was not tested.

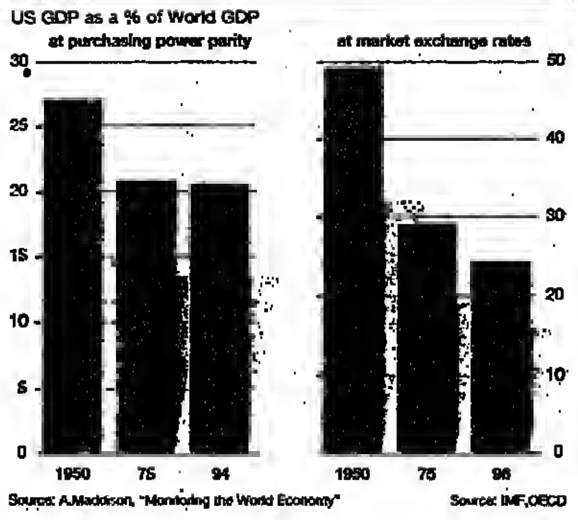
The plan's chief instrument was a four-year programme of aid, ultimately amounting to some $13bn, or about 1.5 per cent of US gross domestic product. Still more important, the money was a catalyst for policy reform, including formation of a European payments union in 1950, which allowed multilateral settlement of debits and credits in members' balance of payments. Writing in the *New Palgrave*, Sir Alec Cairncross, the chief economic adviser to the British government in the early 1960s, describes the principal achievements as "the restoration of internal and external balance, checking inflation and facilitating ... the expansion of intra-European trade on a freer, multilateral basis".

The legacy of the plan can still be seen today. First, it marked the moment when the US became permanently engaged in the world. After the first world war it had retreated to its fortress and, by triggering the Great Depression, helped Europe towards a second world war. This time the course of events was to be very different. Notwithstanding Marshall's astute statement that "our policy is directed not against any country or doctrine but against hunger, poverty, desperation and chaos", Stalin rejected the plan. This decision led directly to the Soviet hlockade of Berlin, the Berlin airlift, creation of West Germany and birth of Nato, the first permanent military alliance in US history.

Second, the Marshall plan demonstrated US awareness of the strategic primacy of economics. Nato would provide Europe's shield. But the necessary political stability could only be based on economic prosperity. That prosperity would he founded on tha market economy, underpinned, it was hoped, by full employment. In the long run, the success of the west's market economies, based on multilateral trade and payments, won the cold war.

Third, the plan began the integration of western Europe. As Sir Alec Cairncross remarks, "only ths Marshall plan could have produced the U-turn in French policy towards Germany which laid the basis for a Franco-German rapprochement, the Schuman plan, and the foundation of the European Community". The plan was "Washington's main instrument in securing French acceptance of a West German state", in the words of David Reynolds of Christ's College, Cambridge, writing in the May/June issue of Foreign Affairs. Now this integration can be extended across the whole of Europe.

The declining weight of Uncle Sam



A success on so grand a scale has inevitably heen scrutinised for lessons. But most analysts have concluded that those favourable conditions have not since existed anywhere else. Europe already possessed the needed skills, attitudes and institutions. It needed only a kick-start. Long-term development in countries lacking these preconditions has proved a far more intractable task.

While true, this answer also is too glib. There are lessons to be learned. Perhaps the most important is that programmes of assistance must, in current parlance, be "owned" by the recipients. The US committed itsslf to supporting recovery programmes developed hy the 16 European countries in concert. Yet the latter were also not left on their own. Joint institutions were created, notahly the Organisation for European Economic Co-operation, later to become the Organisation for Economic Co-operation and Development. US support was itself organised in the Economic Co-operation Administration, which was to employ 630 Americans and more than 800 Europeans in the devalopment and administration of programmes. Unhappily, no comparable joint intellectual effort was made in the former Soviet Union and central and eastern Europe after 1989.

Another lesson is that money is not itself decisive: it never is. Twenty-three per cent of the assistance went to the UK, which was tha largest single recipient. Yet the most dramatic recovery was in West Germany. Each country prospered to the extent that its domestic policies and attributes allowed it to do so. But the Plan did promote a framework of multilateral liberalisation, which led to a market-driven division of labour in western Europe.

These lessons are important. But the anniversary also evokes rather different thoughts: gratitude to those whose wisdom created the peaceful Europe of today, gratitude, above all, to the US – indispensable guarantor of western security and freedom. Only the US had the resources and the values to do what needed to he done.

With victory in the cold war, today's challenges are both more diffuse and less urgent. The US may be the sole superpower, but it is no longer the preponderant power of 50 years ago. It needs allies. Foremost among them, inevitahly, must be Europe. A serious concern must be whether a new Europe will define itself in opposition to the US. Such a Europe would not be worth having.

New challenges require new modalitles. But whether it is coping with the stresses of globalisation, managing the global environment, dealing with rogue states or sustaining co-operafive relations with new powers, the fundamental attrihutes of the plan remain relevant: US leadership, an intelligent European response and international co-operation.

Marshall argued that "with foresight and a willingness on the part of our people to face up to the vast responsibility which history has clearly placed upon our country, the difficulties I have outlined can and will be overcome". They were. Our duty is not to throw away what wise leaders then secured.

Personal View • Jagdish Bhagwati

Short on trade vision

Clinton should build on the Uruguay Round and press the case for human rights

Clinton ought to abandon drift towards Nafta-style deals

If we look to Washington for leadership on trade policy, as indeed we must, we should hold our breath. By ignoring opportunities, such as on a recent visit to Central America and the Caribbean, to make his stance clear, President Bill Clinton has begun his second term mnch as he started the first: sitting on the fence.

In his first term, Mr Clinton at length abandoned his caution, embracing trade liberalisation and winning victories on the North American Free Trade Agreement (Nafta) and on the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt), the forerunner to the World Trade Organisation. But now he seems paralysed.

He needs to provids a coherent trade policy, defined hy both vision and an agenda, which rallies the free-traders behind it. At the same time, he must provide policies in pursuit of non-trade goals, for example on the environment and human rights. Currently activists in these areas focus on trade treaties and end np opposing them.

Mr Clinton needs to declare that he supports fully the goal of multilateral free trade for the world economy. He should remind the US Congress and Americans that multilateralism is alive and well; that the Uruguay Round was successfully completed; the WTO is working, with its dispute-settlement mechanism strengthened and widely used; and that he has secured valuable multilateral agreements in information technology and telecommunications. These agreements, together with one expected soon in financial services, have heen applauded hy US export lobhies and therefore will meet no substantive obstacles in Congress.

In short, Mr Clinton can make a resounding case for the WTO-centred multilateral trading system that reflects well on half a century of US leadership. But he should then set his sights higher. He could have an electrifying effect if he announced a goal of worldwide free trads hy a date such as 2015 – well into the next century to which he wishes to huild a bridge – as many economists have sdvocated. Such a move would defina a statesmanlike presidential vision without the requirement of getting Congress to sign up to it.

As the flip side to this emhrace of a non-discriminatory, multilateral trade-liberalising agenda, Mr Clinton also needs to abandon his administration's drift towards preferential trade agreements, such as Nafta and its extension to Chile, and to the proposed Free Trade Area for the Americas. With protectionist anti-Nafta proponents such as Mr Ross Perot, the billionaire and former US presidential candidate, now off centre-stage, economists are increasingly saying whst was unprintable in the 1980s – that free trade areas are really discriminatory trade agreements and that their proliferation is turning into a pox on the world trading system.

Mr Clinton also needs to address the demands for human rights and for the improvement of other nations' labour and environmental standards that intrude on the trade scene. It is clearly a good idea to assert trans-border moral ohligations and to identify with human rights in other countries. But the desire to link thess objectives with trads, through the social clause at tha WTO and setting snvironmantal and labour standards preconditions during the fast-track renewal of trade treatles, implles cluttering np such treaties with new obstacles.

The human rights and social agenda would be better served, as I have little douht the British government of Mr Tony Blair would agree, if it were separated from trade treaties and pursued energetically in other ways.

Thus, in regard to improving lahour standards and children's rights, for example, Mr Clinton should seek instead to enhance research capahllltles at the international Labour Organisation and Unicef, the United Nations children's fund, in order to strengthen the ability to monltor and review each memher state's conformity to all ILO conventions and to the entire Convention on the Child respectively.

On these lines, Mr Clinton could pursue a trade agenda that was ambitious in its pursuit of multilateral free trade but also practical in its pursuit of regional objectives and American values by non-trade means.

The author is a professor of economics and political science at Columbia University

·LETTERS TO THE EDITOR·

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No sense in strict 3% deficit as the magic figure for Emu

From Mr John Szemerey.

Sir, The late Mr Micawber must be laughing his head off. "I was right, you see," he will titter. "The difference between happiness and misery is a 0.2 per cent deficit of the gross domestic product! A 2.9 per cent deficit is fine and enables ons to live in happiness and bliss, while a 3.1 per cent deficit condemns a country to chaos, misery, and eternal damnation."

Alas, for his momentary good cheer. Sooner or later a spoilsport will come along and remind him of article 104(c) of the Maastricht Treaty. This spells out that the objective of the Micawber criteria is to ensure that member governments respect normal monetary discipline and to discourage them from having excessive deficits or – in simple English – from ferociously over-spending.

No one in his right mind would say that there is a magic figure on one side of which everything is right, and on the other side of which everything is wrong. Tha 3 per cent deficit figure given in a protocol to the treaty is a target or a reference figure, to give governments something to aim at. But everyone knows (with the possibls exception of some gentlemen in tha Bundesbank) that a country's economic health and good monetary behaviour is judged hy many more things than the ratio of a government's actual or planned deficit to GDP.

So even if s country has a higher deficit that the 3 per cent reference figure, under article 104(c) the Council can, after looking at "all other relevant factors, including the medium-term economic and hudgetary position of the member state", decide that there is no risk of an excessive deficit and the country can still join the European single currency area.

As Mr Helmut Schmidt said in Brussels last week, in pointing to tha "absurdity" of a strict interpretation of the convergence criteria, if the US and Japan were European countries and wished to join the European single currency, they would be unable to do so *if* the criteria were applied strictly.

Mr Micawber, unbending financiers and nit-picking civil servants would be baffled.

John Szemerey,
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B-3090 Overijse, Belgium

UK border controls bad for business

From Mr Andrew Michell.

Sir, The government is demanding that the UK be allowed to retain border controls while other EU countries scrap their own. The rather eccentric argument used to support this position is that Britain is an island and therefore the number of entry points is limited by nature.

There is a more logical counter-argument which demonstrates that the UK could lose out economically if it retains identity checks while the rest of the EU allows freedom of movement. In such circumstances, it is certain that other EU countries would reciprocate by demanding identity checks on travellers from the UK and one economically important group would be disadvantaged.

Users of corporate aircraft and air taxis, an increasingly popular mode of transport for executives in Europe, would be able to fly between a local airfield in France and one in Germany without hindrance. A flight from the UK to France, however, would have to make an intermediate landing at a customs airport adding inconvenience, cost and delay. Conducting business with Britain would he more difficult.

Corporate flying apart, if controls are retained, the UK will always be perceived as isolationist by the wider European business community. This could have more subtle negative effects on husiness decisions affecting the UK. The European single market needs complete freedom of movement and total transparency to function properly. Border controls are a real obstacle – they should go.

Andrew Michell,
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Bid folly should not penalise the victim

From Mr Donovan Winter.

Sir, Surely there is something badly amiss when it costs a company like Capital Corporation £3.6m to defend itself against a wanton predator like London Clubs International.

In this case it cost LCI a mere £1m to mount its unwelcome and unworthy attack and, as usual, it is the victim which is worst penalised, the aggressor escaping relatively scot-free.

The only winners are, of course, the lawyers and the brokers, while it is the shareholders of Capital who suffer, left to pay the costs. This is quite intolerable and in such cases there should be a City edict that an impudent highwayman should be obliged to pay the accumulated expenses of all parties for his folly, as in a court of law.

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Presidential politics in the UK

From Lord Wallace of Saltaire.

Sir, Ann Taylor, the new leader of the House of Commons, is contemplating a new department of the opposition with strong civil service back-up for the new Tory leader as part of plans to modernise Britain's parliament.

Over the past 20 years Britain has moved a long way from parliamentary government towards presidential politics. Mrs Thatcher's disregard for the conventions of cabinet government and for the give-and-take of parliamentary dialogue has been succeeded by the tightly controlled campaigning styls of Mr Tony Blair, which suggests a presidential style in government.

The entrenchment of the role of the leader of the opposition, provided with resources not available to other MPs or to the leaders of contending opposition parties, would take us further down that – mistaken – road.

Parliament would become, even more than before, an adversarial arena for two contending leaders, with ranks of under-employed MPs as spectators.

Effective modernisation of the British parliament requires reforms which will broaden the ability of its different members – and of its several parties – to contribute to the development and the scrutiny of policy.

To build into the structure additional privileges for the leader of the largest opposition party seems particularly inappropriate in a parliament in which the 165 Conservative MPs represent a smaller share of the national vote than in any election since the first world war, to the disadvantage of the 75 MPs from seven other parties representing 20 per cent of the votes cast.

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COMMENT & ANALYSIS

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Tuesday June 3 1997

A deciding moment

The events of the past week in France and Germany have shaken the European single currency project to its foundations. It is still possible to imagine monetary uniun taking place according to the Maastricht schedule. It is still possible to see it happening in line with the spirit of the convergence criteria. But it is getting very hard to imagine that it could manage both at the same time.

For some time, doubters about Emu have been silenced by the common commitment of Germany and France to the project. Chancellor Hslmut Kohl, in effect, promised to persuade both the Bundesbank and the German people that they could safely givs np their beloved D-mark. And France promised to make it easy for him, by agreeing to a tough interpretation of the Maastricht criteria.

Today, both sides of this tacit agreement lie in tatters. No one talks of cancelling the project altogether. Apart from that, however, ths field is wide open.

One possibility would be a loosening of the Maastricht criteria and, with this, an expansion of the first wave of members to include (almost) any country that wants to join. That is apparently favoured by Mr Lionel Jospin, the socialist victor of the French elections.

Such an ontcome cannot be entirely ruled out: but it would be an immense gamble, both economically and politically.

The argument for loosening the criteria is that the countries concerned have already shown themselves willing to undergo painful fiscal tightening to ready themselves for Emu. This is what the criteria were meant to do. To insist that countries meet an arbitrary one-year target to within one decimal place is, it is said, quite literally to miss the point.

The drawbacks in this are twofold. First, the Bundesbank would not agree to a loose Emu: and where the Bundesbank goes, the German voters might well follow. Sacond, the long-term costs of a "soft" Emu would be felt by all its members, in the form of high long-term interest rates and severe economic hardship in countries which lacked the competitive labour and prodnct markets needed to make life in a single currency zone bearable.

Mr Jospin has a choice to make. He can stick to his election promises by agreeing to a delay in the timetable, possibly risking the collapse of a project which French socialist leaders more than anyone helped to build. Or he can use his position as a trusted leader of the left to push through deeper structural reforms in France – and to insist thet other would-be Emu entrants do the same. Neither option is very palatabls. But dodging this cboice would be costlier still, not merely for France, but for the long-term stability of Emu.

Asean's burden

The decision by the Association of South-east Asian Nations to admit Burma, Cambodia and Laos at their annual meeting next month is ons its members may coms to regret.

The political chaos in Cambodia – where the parliament is incapable of passing any legislation and the cabinet has met only once since March – offered a splendid excuse for delay. Instead Asean has drifted into a decision that will weaken its international standing by forcing it to line up behind the Burmese junta.

It will also be harder for the member states to reach a consensus on other pressing issues. To borrow from European vocabulary, Asean has chosen to make itself wider rather than deeper. Its ability to act as a stabilising force in the Pacific will be diminished as a result.

Asean officials privately advance two reasons for moving more quickly than originally expected. One is to cement the group and make it a stronger counterweight to China. Such an approach is understandable given Beijing'a influence in Burma and that country's strategic importance.

Tbe other motive is less defensible. It seems some members felt they had come under too much pressure from Washington to keep Burma out. Indonesia, in particular, felt that giving in to the US on this issue might lay it open to pressure on East Timor. The harder the US pushed, the more Jakarta was likely to resist. But the price will be considerable.

The episode revealed chinks in Asean's much-vaunted consensus. The Philippines and Thailand, two of its most democratic members, opposed Burma'a eotry. Asean may now find it mnch harder to speak with one voice on security issnes such as China's claim to the Spratly islands in the South China Sea.

The presence of three more very poor countries will make a mockery of its plans to set up a free-trade area. Integrating Vietnam into its economic arrangements has already proved extremely difficult.

Nor will its accommodation of Burma necessarily encourage a trend towards openness and democracy in its member states. Indeed, Asean looks set to end up defending authoritarianism more vigorously to the outside world, forsaking its rola as a bridge-builder between Asia and other continents.

That role would have called for discreet but firm pressure on Burma from its Asian peers, not accelerated admission to Asean. Member governments could still usefully apply such pressure, but the chances are that they will not. South-east Asia as well as the rest of the world will be the loser.

Making it work

A month into government it would be unkind to be too hard on Mr Tony Blair's new administration. But the prime minister's mucb heralded welfare-to-work speecb yesterday read more like one from a leader of the opposition.

It was long on diagnosis – the numbers of people reliant on benefit and on the way the system penalises those who take work if their partner is unemployed. It was high on rhetoric – that work is the best form of welfare, and on the new consensus which Mr Blair himself has helped form, which is that there are duties as wsll as rights within the welfare system.

It was correct in identifying tbat government must work more coherently – channelling funds tbat can come into deprived areas by a dozen different routes into effective programmes for work, education and a better environment.

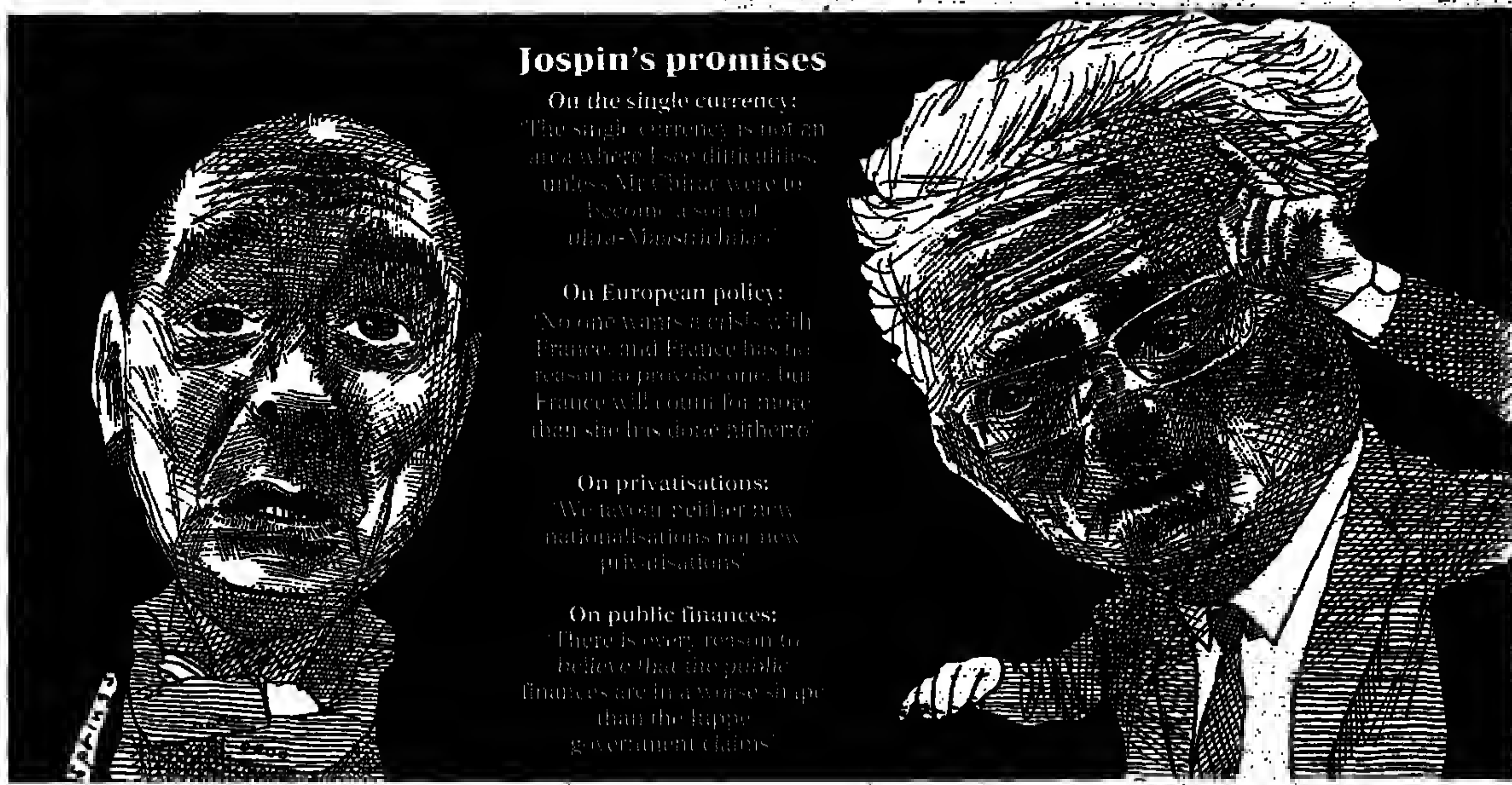
But what it lacked for a speech so heavily trailed as the prime minister's first outside Westminster was any new initiatives. Tbe ontlinas of Labour's welfare-to-work programme are well known. So is the intention to invite lone parents with school age children into benefit offices to explore the opportunities for work, and the plan to use lottery money for after school homework clubs.

What is needed now is detail. The means by which aspiration is to be turned into action. How much lottery money to provide how many places? How will childcare be covered in school holidays, not just after school in term-time, to make often low-paid work for more lone parents possible?

Just how can the benefit system be eased, other than at enormous cost and without introducing new disincentives to taka full-time work, if the partners of the unemployed are to be able to take part-tima or very low paid work? How can resources be ahifted from policies which merely allow people to survive to ones which deliver effective prevention – another of Mr Blair's laudable aims.

This is the difficult stuff of government, hard issues which did not emerge yesterday but with which governments of hoth colours have grappled since the emerging problems witb tbe UK's benefit system became plain three decades ago.

Mr Blair is, of course, right to set the tone of his government's approach: the feel of a new contract between taxpayers and those on benefit, the demand for government to be more imaginative, the need for a new ethic of responsibility from the haves as well as the have nots. But this is government. The time is coming when disgnosis alone will not do. Details of the treatment will needed.



Uncomfortable bedfellows

Jacques Chirac must get used to life with Lionel Jospin, but a successful cohabitation is not impossible, says **David Buchan**

Wednesdays, ths day when the French cabinet traditionally meets, are not going be much fun for Mr Jacques Chirac anymore.

Presiding over a cabinet of his political enemies, the Gaullist president – whose decision to hold a snap election badly misfired - will be able to inject notes of complaint and caution about the left's legislative plans. These may well seek to scrap much of the political handiwork undertaken by the right over the past four years. But Mr Chirac will be unable to make his views prevail on Mr Lionel Jospin, the new prime minister, in areas outside the presidential preserves of foreign policy and defence.

Even worse for Mr Chirac, he has brought this "cohabitation" upon himself. He must be bitterly replaying the past five weeks in his mind. He would have had one year less of "cohabitation" to endure had he let the National Assembly – elected with a big centre-right majority in 1993 – run its natural term until next March. Instead, he called a snap election on the slogan of an *élan partagé* (a shared élan), and has ended up having to share his own power. *Partagé* indeed.

The Fiftb Republic's third cohabitation could be its roughest. It is certainly set to be longer. The new National Assembly and Mr Chirac both have terms that last until 2002. The previous ones came during the final two years of each of the late François Mitterrand's seven-year terms - in 1986-88 and 1993-95.

The policy clashes could also be sharper. The Jospin government will have the upper hand on domestic policy, as Mr Chirac knows from his own experience as prime minister in 1986 when he forced through privatisation against Mr Mitterrand's opposition. But the Socialists, not to mention the Communists who appear to hold the balance of power in the new Assembly, also have foreign policy views that do not square with those of Mr Chirac.

On Europe and the planned single currency, where the lines of domestic and foreign policy are thoroughly blurred, Mr Chirac can say what he likes to Chancellor Helmut Kohl and others. But practical policy will be dictated by the actions of the Jospin government.

And some leading Socialists were yesterday still in campaign mode on economic and monetary union. Promising "Emn-without-tears", Mr François Hollande, the party spokesman, said: "You can have the single currency without policies of restricting public spending, without privatisation, without raising taxes."

The Socialists also object to Mr Chirac's attempt to reintegrate France into Nato's military command and have called for sweeping change in the policy towards Africa.

Yesterday there were soma angry rightwing voices urging Mr Chirac to figbt. The president should "meet combat with combat", wrote Mr Alain Peyrefitte, a former minister of General da Gaulle and editorial chief of Le Figaro. "Givs it a year, and the state of the opinion polls will be sucb that the president will be abla to appeal to the people, either with a new [parliamentary] dissolution or by provoking a new presidential election."

This sort of apocalyptic reaction from the defeated right is based on the assumption that the Socialist-led government will now go pell-mell to implement all its campaign promises. There is not mnch evidence for this. Indeed, as the Socialist leadership has neared power in recent days, it has grown more cautious.

True, it is being pushed by its allies, particularly the Communists, who increased their seats from 24 to 38. The Communists want an immediate and large rise in the minimum wage. The Greens, who entered parliament for the first time with 7 seats, are clamouring for Mr Jospin to cut the standard working week from 39 to 36 hours.

But Mr Jospin, whose acceptance of past Socialist errors has won him the respect of a good part of the electorate, says he wants no repeat of 1981. Then the Socialists spent profligately on social programmes and nationalisations, only to slam on the austerity brakes in 1983 to prevent further inflation and devaluation.

"I don't want a burst of expansion which then has to be doused in the cold water of realism and disillusion," Mr Jospin says.

As a holding measure, ths incoming government has ordered an audit of public finances before a planned midsummer bndget. This budget is likely to include a redirection of employment subsidies to fund the 350,000 public-sector youth jobs that the left wants to create. There will also be more money for education and a very small initial cut in valne added tax. The latter would possibly be balanced by scrapping some of the Juppé government'a planned reduction of income tax and by some increase in taxes on savings and the assets of the rich.

Vaguer, hut potentially more alarming to business, is the left's commitment to hold a "national conferencs on employment, reduction of working time and on salaries" later this month. This is central to the Socialists' thesis that the economy has been enfeebled by lack of demand. Ths best and quickest way to remedy this, they say, is not by relatively slow-acting income tax cuts benefiting richer people, but by a general rise in everyone's pay.

The Socialists' idea appears to introduce into the conference the issue of salaries and the related promise of a shorter working week without any pay cut. Employers and unions would then be left to battle it out. This pleases the unions as much as it displeases the employers, who do not want to see the government redressing the unions' chronically weak bargaining position in mucb of private French industry.

The Patronat employers federation yesterday warned the new government not to damage the competitiveness of French industry.

The left's strategy would pnt much of the financial onus of reflating the French economy on the private sector. But the new government will probably do its bit by relaxing pay restraints for the country's 5m-strong civil service and public sector. Further strains on government finances will follow from the Socialists' pledge to abandon the partial privatisation of France Telecom, and thus forgo a potential FFr30bn-50bn (£3.2bn-5.3bn).

Receipts from the sale of state assets cannot be used to reduce the deficit within its Maastricht definition, but they are needed to recapitalise lame-duck state companies. Plans by the Socialists to review, if not scrap, the recent law creating private pension funds – on the grounds tbey undermine the state retirement aystem – could equally deny French companies a fresb source of equity finance.

The best hope is that the new government will spread out the implementation of many of its campaign promises beyond 1997 – the year in which France hopes to qualify for the euro. It could then gradually tackle, with perhaps more auccess than the Juppé government, reform in the welfare system and the labour market. It will not take bold or fast action in sither area, bnt these were not qualities Mr Juppé displayed after the 1995 union strikes.

The right leaves behind one reform that limits the left's room for manoenvre. Autonomy for the Bank of France to set monetary policy removes the possibility for ths incoming government to tamper with interest rates. The *franc fort* policy, pursned by Socialist ministers throughout the 1983-93 decade, did not endear itself to many on the left. But this does not matter any more. Monetary policy is now effectively given sanctuary in Mr Jean-Claude Trichet's Monetary Policy Council, forbidden by its 1994 statute to solicit or take instructions from the governmant on monetary issues.

The Bank of France and tha financial markets are likely to be a more effective check on France's new left government than the rightwing opposition. This has been shattered by defeat into its diverse components, the fragile unity of the last stages of the campaign now dissolving into recrimination.

One vestige of the campaign may remain. Mr Philippe Séguin, long the leadsr of Eurosceptic Ganllism, will find it hard to back away from his acceptance of Emu, on conditions remarkably similar to those of Mr Jospin. This cross-party backing for growth and job promotion to accompany Emn is not something France'a partners can ignore. It should strengthen the hand of Mr Chirac and Mr Jospin when they meet Mr Kohl for a summit on June 13.

Cohabitation could, therefore, be a strength, particularly if the French would stop jndging it a fatal weakness. France's Fifth Republic – with its seven-year presidential mandates and five-year parliamentary terms – makes such periods inevitable.

In the end, the French have a choice. Either they must keep the present split-term system and acknowledge thet their president's powers do not extend much beyond those of the Queen of England. Or they should change the system, bolding presidential and parliamentary elections at the same time, as in the US. The French president would then be able to abandon his constitutional aloofness and, like his US counterpart, step into the political fray.

But, in this campaign, Mr Chirac was unable to campaign for his policies with sufficient vigour. This may ultimately bave contributed to the beaviness of his defeat.

· OBSERVER ·

Enter the emissary

■ Much bead-scratching in Luxembourg yesterday as European Union foreign ministers mulled over tha Socialist party's upset victory in the French elections. What impact would it have on the timetable for monetary union, the Franco-German alliance, or even the Maastricht II intergovernmental conference, which is supposed to be wrapped up in Amsterdam next month?

There wasn't a French foreign minister around to give any clues. New premier Lionel Jospin was still savouring his election triumph and hadn't had time to put a foreign policy team in place: yesterday'a meeting got under way within hours of the last votes being counted.

So who filled the empty chair? Step forward Pierre de Boissieu, the veteran EU ambassador in Brussels and one of the architects of the 1992 Maastricht treaty. A distant relative of Charles De Gaulle, de Boissieu combines a waspish sense of humour with a talent for mimicry of ambassadorial colleagues and ministers alike. Last night's session on the IGC must have been an unexpected pleasure to attend.

One of de Boissieu's favourite remarks is that the IGC could be wrapped up in a fortnight if the professional diplomats were locked in a room away from meddlesome politicians. He's almost certainly right. But on the other hand, the way French voters thumbed their noses at President Jacques Chirac on Sunday suggests that the people of the EU still have something to say about it.

Deutsch deity?

■ The German newspaper Bild Zeitung yesterday quoted former European Union president Jacques Delors as saying: "Not all Germans believe in God but they all believe in the Bundesbank." Can't be easy for the central bank's president Hans Tietmeyer to see himself as a cult figure.

Canada awry

■ If Canada's humdrum election campaign, which ended yesterday, is remembered at all, it'll be more for the politicians' gaffes than for their ideas or oratory. Observer found some advice from prime minister Jean Chrétien particularly useful – in a speech advocating gun control he said Canadians had better not keep their nuclear weapons at home, because children might get hold of them.

Chrétien's "Red Book" of election promises made little impact on voters but was well used by his rivals. Progressive Conservative leader Jean Charest barbecued a copy, and Preston Manning of the Reform party made a habit of dismissively tossing copies of the book to the ground.

Gilles Duceppe, leader of the separatist Bloc Québécois, turned a photo opportunity into a cartoonist's dream by touring a cheese factory in an unbecoming plastic hairnet. A few days later, his campaign swung by a veterinary college to be greeted only by horses and cows. The students were on holiday.

The party leaders lost a golden opportunity to impress voters during last month's French-language TV debate. As the discussion turned to the hot topic of Quebec separatism, the moderator fainted. Rushing to aid a stricken TV star could have been worth millions of votes. But all five would-be premiers remained stuck to their podiums.

Paper chase

■ Is Air France wreaking some sort of revenge on Indian bureaucracy? It has just negotiated a bilateral flight agreement with Air India and, like all companies dealing with Indian officialdom, must be well used to the simplest query being met with infuriating requests for documentation, faxes and all sorts of other bits of paper.

The French carrier has announced a "special offer" to mark this year's 50th anniversary of Indian independence, open only to Indians who travelled to France in 1947. Top prizes are flights to Paris for a four-day holiday. But anyone wanting to compete for that trip to the Louvre, Notre Dame and the Eiffel Tower must provide "a copy of their passport and/or any relevant proof of travel to or stay in France in 1947". Great news for all those paper-hoarders who've been hanging on to French hotel bills, restaurant receipts and boarding cards for the last half-century, just in case.

Barely blessed

■ A bishop in the very Catholic Philippines has got hot under his dog collar about having to officiate at weddings where the brides' dresses reveal more than a celibate cleric can bear. Bishop Teodoro Bacani says wearing a skimpy bridal dress is like going to the presidential palace in a swimsuit. "There are times when instead of saying 'the Body of Christ', I am tempted to say 'Christ, what a body'," says the plaintive pastor. Lead us not into temptation.

The Financial Times 100 years ago

Trade With Uruguay
It is the opinion of our consular representative in Uruguay that the prevailing cry of Great Britain being "ousted" in her foreign trade is premature. He is in a position to say that, with the data at his disposal, covering a period of ten years, there is sufficient evidence to prove that we have maintained our position. Our Cohsul, however, bids us take note that Italy is studying the market with a view of extending her trade, while Germany is very busy in pushing her wares, and seems to excel in moleskins, prints, drills etc. The United States is also having a "cut-in" with certain flannel stuffs which appear to be of better quality than similar articles of British manufacture.

"You Press The Button; We Do The Rest"
Advertisement. "For the convenience of ladies and gentlemen frequenting the City of London, the Eastman Photographic Materials Co have to-day opened a new retail branch of their business at No. 60 Cheapside. A large stock of all the various forms of the world-famed Kodaks, together with the photographic materials manufactured by this firm, have already been supplied to these premises in anticipation of a brilliant season."

FINANCIAL TIMES
Tuesday June 3 1997

Hanbo group founder is jailed for 15 years

By John Burton in Seoul

Seoul police charge through flames of Molotov cocktails thrown by rioters yesterday Picture: Reuter

A South Korean court yesterday passed a 15-year jail sentence on the founder of the Hanbo steel group, which has been at the centre of a corruption scandal that has severely damaged the government of President Kim Young-sam.

The scandal has shattered the credibility of Mr Kim, who came to power promising to eradicate corruption, by exposing a web of bribery that included the recent arrest of his son for influence-peddling.

Opposition allegations that Mr Kim accepted up to $100m from Hanbo during his 1992 presidential campaign bave sparked four days of rioting in Seoul by militant students demanding the president step down. One riot policeman was killed and several severely injured last night in clashes at Hanyang University in Seoul.

In yesterday's judgment, Mr Chung Tae-soo was convicted of bribing senior government officials and bankers to acquire loans of nearly $6bn in a futile effort to keep afloat the groop'a steelmaking unit, which went bankrupt in January bringing down most of the conglomerate.

Ten others were also convicted on embezzlement, bribery and fraud charges. They include a former cabinet minister, three government MPs and one from the opposition, three former bank presidents and Mr Chung's son, Hanbo's chairman. Nine received jail sentences of between three and seven years. The elder Mr Chung, 74, and his son were convicted of sipboning $400m from the group and using it to bribe politicians to obtain loans from a banking system that is subject to strong government influence.

"Your wrongdoing has caused great shock to the Korean people, harm to tbe country's economy, and chaos in society," the chief judge told Mr Chung, who retired as a tax official in the 1970s to establish Hanbo. Mr Chung's business career has been dogged by allegations of corrupt links with the government. He received a three-year suspended jail sentence in 1991 for bribing officials to acquire public land for a housing project in Seoul.

Last year, be was convicted of bribing the former president, Mr Roh Tae-woo, for business favours, although his sentence was quashed by an appeals court on a legal technicality. Hanbo grew rapidly under Mr Kim's administration in spite of Mr Chung's shadowy past. The government supported Hanbo's proposal to build the nation's second biggest steel mill, the costs of which escalated and led to Hänbo's collapse.

Another Hanbo trial is expected shortly following the indictment last month of eight other politicians for allegedly taking bribes from Mr Chung.

Amoco to sell 15% of reserves

Continued from Page 1

allows us to redeploy future capital from non-core areas to core prodncing regions, while improving the profitability and redncing the complexity and costs of our US operations," he added.

He said the "packages" wonid be attractive to regional players, which could combine them with other local assets, or conid help new entrants to the industry establish a foothold in important regional markets.

The US energy industry is restrncturing and last year assets worth an estimated $70bn changed hands.

Most activity has been focused in refining and marketing, although gas assets have also become more attractive as a result of impending deregulation of the electricity generating and distribntion industry.

El Al sale may be hindered by ban on Sabbath flying

By Judy Dempsey in Jerusalem

An Israeli government commission yesterday backed far-reaching proposals for the privatisation of El Al, the state-owned national airline.

But it insisted the ban on the company's aircraft flying on the Sabbath – from sundown on Friday to dusk on Saturday – would not be lifted before the listing on the Tei Aviv Stock Exchange.

That raises questions about the ability of the loss-making airline to compete internationally.

The privatisation plans, drawn up by a special committee and presented to Mr Benjamin Netanyahu, the prime minister, recommended selling the airline to the Israeli public by the end of next year.

Employees would be offered 10 per cent of the shares at a 30 per cent discount. Mr Joel Feidshuh, president of El Al, said it was still unclear what percentage of shares would be allocated to institutional investors but the majority would remain in Israeli hands. Ei Al's book value is estimated at $300m.

The decision to sell the company to the public has highlighted the future composition of the shareholders. They will have to decide whether El Al will eventually fly on the Sabbath, and improve its chances of becoming profitable, or remain hamstrung by pressure from the ultra-Orthodox religious communities which are powerful in the conservative Likud government coalition. Mr Yitzhak Levy, the Orthodox transport ministar and member of the National Religious Party, said the Sabbath flight ban should be maintained.

El Al is estimated to forgo between $40m-$80m in profits each year because of the Sabbath restrictions, which cuts fleet's potential flying time by about 20 per cent.

"If the shareholders decide they want to fly the airline on Sabbath, the government will not exercise its 'golden share' to intervene," said Mr Moshe Leon, economics adviser to Mr Netanyahu.

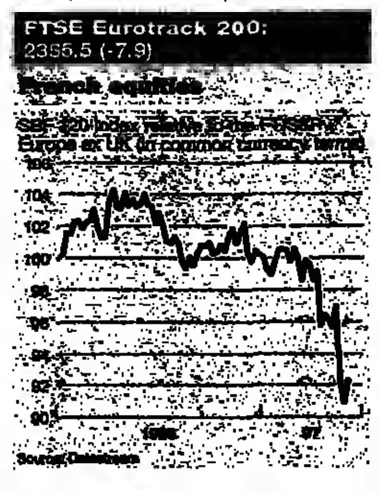
"This is not an economic decision. It's a government one," said Ms Zippi Livni, head of the government's privatisation office, adding that she did not expect substantial privatisation receipts.

Analysts said El Al's management faced an uphill struggle. "The unions will oppose working on the Sabbath," said Ms Debra Kodish, analyst at Zannex Securities. Ms Kodish said the company, even it flew on the Sabbath, would face problems from non-Israeli airlines operating in and out of Israel on the Sabbath.

THE LEX COLUMN

Bonding trouble

FTSE Eurotrack 200: 2355.5 (-7.9)



A broad monetary union or no monetary union? After a week of upheaval in France and Germany, these seem to be the choices. Financial markets have little doubt that it is to be the former. The D-Mark has fallen as investors bet on it being replaced by a weaker currency. Bond markets in Italy and Spain – which would probably sneak into a broad monetary union – have been firm.

So far, so logical. Certainly, the Socialist victory in France is a vote for a cushier Emu. The unresolved issue is how this will wash in Germany. Chancellor Helmut Kohl will be loath to sanction delay: the best way of ensuring the safe birth of the euro is to preside over it himself. Mr Kohl has a strong incentive to be flexible with membership criteria.

But given the sceptical state of public opinion in Germany towards Emu, his room for manouevre is limited. If tha Socialists preside over a deterioration in France's budget position, Emu will be hard to sell in Germany. Moreover, if the gold revaluation wheeze fails, Germany may itself fail to qualify for Maastricht – at least to the Bundesbank's satisfaction. Mr Kohl faces a delicate balancing act between a Bundesbank resisting a broad Emu and a new French government pressing for exactly that.

This makes for a tricky investment climate. So long as a broad Emu remains likely, "core" European currencies and bonds sbould be avoided. Meanwhila, high-yielding bonds, like Spain's and Italy's, offer some upside but not sufficient to outweigh the downside if Emu is delayed.

For equities, expected gains from looser fiscal policy could be offset by diminished commitment to structural reforms. But, for those keen to invest on the continent, German shares are probably the best bet: apart from fundamental attractions, if Emu looks like being derailed investors will scurry back to the safety of the D-Mark.

France

French markets' reaction to the Socialists' election victory looks dangerously complacent. Of course, French election pledges need to be consumed with particularly gigantic additions of *sel*. And there are good reasons to expect Mr Lionel Jospin, the new prime minister, to reach an accommodation with president Jacques Chirac rather than blowing European economic and monatary union apart. Bnt how then is Mr Jospin to deliver? After all, he has not only to juggle Mr Chirac but must also keep his own supporters happy, not to mention the Communists on whom his majority depends. And if he fails to make a demonstrable impact on France'a gruesome unemployment problem, bang go his chances of succeeding Mr Chirac as president.

Ah yes, say optimists, but surely Mr Jospin will therefore go for some expansionary macro-economics? Perhaps, bnt he has precious little room fdr manoeuvre. Far more likely is that the Socialists' *micro*-economic programme – a shorter working week, higher minimum wage, further obstructions to redundancies – will turn out to have teeth. Such measures are bound to be counter-productive, but in the Alice in Wonderland world of French politics probably no-one will much care.

For equities, this looks like bad news in store. So do other goodies from Mr Jospin's bag of tricks – preventing the introduction of private pension provision, stopping tha privatisation programme, higher taxes on savings. Meanwhile the risk of increases in corporate taxation must be very real. Consider all this and it almost beggars belief that the French equity market is higher now than when the election campaign began.

Japanese insurance

For years Japan's life insurers have grazed peacefully together, paying the same derisory dividends (or bonuses) to policyholders. Suddenly there is a nasty whiff of aggression in the air. Nippon Life's unilateral decision to increase bonuses – the first such rise in seven years – is a recognition of the need to woo customers as new rivals encroach on its formerly protected market. Non-life insurers, financially stronger than the life companies, have been allowed to write life policies since April 1996. And banks will probably be permitted to do so from next year.

Nippon Life is in pole position to break ranks. Not only is it the world's biggest lifa insurer, with assets of nearly Y40,000bn ($343.26bn) and a commanding 22 per cent domestic market share, but it is also one of the few companies thought to be technically solvent in an industry suffering from low bond yields, a lacklustre stock market and bad debts – which were largely responsible for last month's collapse of Nissan Life.

It is not obvious, therefore, whether many of Nippon Life's peers will be able to follow suit. Most would probably have to raise new capital to shore up reserves, a lengthy process given their mutual status. Long before that, they might find themselves being gobbled up by the new kind of predatory bank holding companies that Fuji Bank said yesterday it plans to become.

Halifax

Does history repeat itself? Not, it would appear, in bank stocks. The UK debut of Alliance & Leicester in April prompted a 20 per cent rally in bank stocks. But the flotation of Halifax is shaping up very differently. Not only did its debut prompt large falls in the rest of the sector but the share also finished at 734½p, barely above the auction price. By contrast, A&L closed the first day 6 per cent above the auction price, and has traded higher since.

Halifax is unlikely to repeat the pattern, if only because the run-up in the sector ahead of the float saw it debut on a much higher rating than A&L. Indeed, the short term risk is clearly that the price may still go lower. Halifax is a fine institution with handsome prospects but it does not warrant the premium rating to Lloyds TSB – 12 per cent, on a price/earnings basis compared to 1998 earnings – it currently enjoys.

Additional Lex note on Emap Page 2

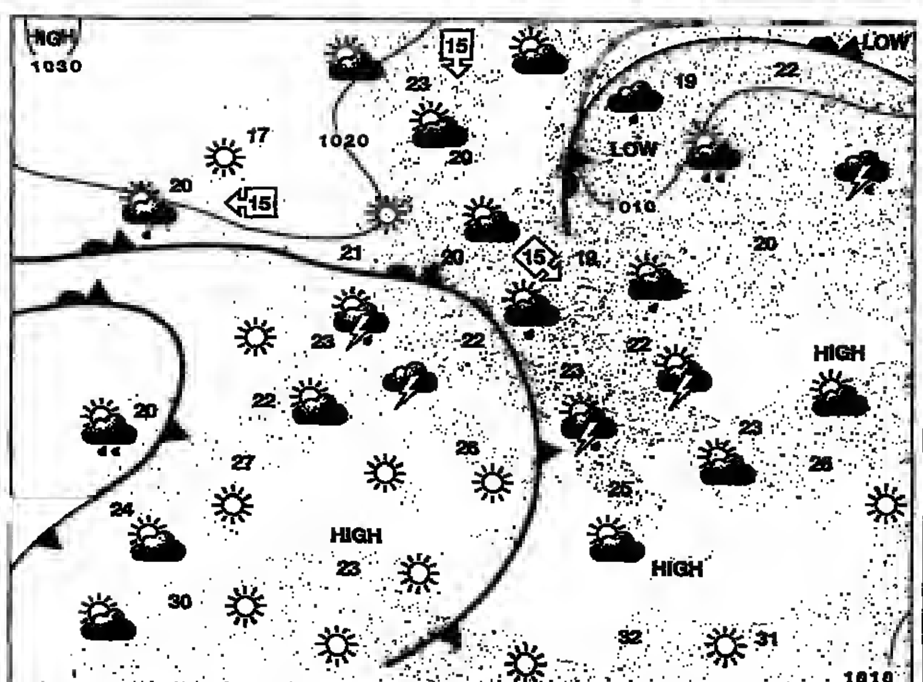
FT WEATHER GUIDE

Europe today

Scandinavia, the Benelux and Germany will have sunny periods, but the western Baltic region will have some cloud. The British Isles should be mostly sunny but showers will occur in the south. Thunder showers are expected over northern France. The Alps will be rather cloudy with thunder and rain. Western France and Spain will be mainly sunny but a front will trigger showers in north-western Spain and Portugal. Isolated thunder showers will mix with sunshine over the Balkans. Eastern Europe will be rather cloudy with showers. The eastern Mediterranean and northern Africa will be sunny.

Five-day forecast

Scandinavia will become cooler with showers. The British Isles and the Benelux will turn unsettled by the and of the week. Heavy thunder showers will affect Spain tomorrow and then move east across the Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	sun 38	Beijing	fair 25	Caracas	fair 31	Faro	fair 24	Madrid	fair 25	Rangoon	thund 30
Accra	shower 30	Belfast	sun 20	Cardiff	shower 18	Frankfurt	fair 24	Majorca	sun 25	Reykjavik	fair 18
Algiers	sun 27	Belgrade	fair 23	Casablanca	fair 24	Geneva	rain 24	Malta	sun 26	Rio	fair 22
Amsterdam	sun 21	Berlin	cloudy 20	Chicago	fair 22	Gibraltar	fair 22	Manchester	sun 19	Rome	fair 26
Athens	shower 25	Bermuda	shower 28	Cologne	fair 24	Glasgow	sun 20	Manila	fair 33	S. Frsco	cloudy 21
Atlanta	fair 29	Bogota	thund 18	Dakar	fair 27	Hamburg	fair 21	Melbourne	fair 17	Seoul	fair 26
B. Aires	fair 19	Bombay	fair 33	Dallas	fair 30	Helsinki	fair 21	Mexico City	shower 22	Singapore	shower 33
B.ham	fair 20	Brussels	fair 23	Delhi	sun 29	Hong Kong	fair 31	Miami	shower 31	Stockholm	fair 22
Bangkok	thund 38	Budapest	shower 21	Dubai	sun 38	Honolulu	sun 31	Milan	thund 21	Strasbourg	thund 23
Barcelona	fair 23	C.hagen	cloudy 20	Dublin	fair 17	Istanbul	cloudy 24	Montreal	sun 23	Sydney	fair 18
		Cairo	sun 31	Dubrovnik	fair 22	Jakarta	fair 32	Moscow	shower 18	Tangier	fair 25
		Cape Town	sun 18	Edinburgh	sun 17	Jersey	sun 18	Munich	cloudy 23	Tel Aviv	sun 27
						Karachi	fair 38	Nairobi	fair 24	Tokyo	rain 23
						Kuwait	sun 43	Naples	sun 26	Toronto	sun 19
						L. Angeles	sun 30	Nassau	shower 31	Vancouver	rain 14
						Las Palmas	fair 26	New York	rain 17	Venice	fair 21
						Lima	fair 25	Nice	cloudy 24	Vienna	shower 21
						Lisbon	cloudy 24	Nicosia	sun 30	Warsaw	shower 16
						London	fair 22	Oslo	sun 24	Washington	rain 17
						Lux.bourg	fair 21	Paris	fair 23	Wellington	shower 11
						Lyon	cloudy 25	Perth	rain 19	Winnipeg	shower 23
						Madeira	shower 20	Prague	fair 19	Zurich	rain 20

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Lockheed forms Russian venture

Lockheed Martin has announced a joint venture that will give it a presence in the skies over large parts of the former Soviet states and southern Asia. The US aerospace and defence group said it had formed e joint venture with Intersputnik International Organisation of Space Communications, based in Russia, that will lead to the launch of communications satellites. Page 20

PepsiCo to restructure bottling division
PepsiCo, the US soft drinks and snacks company, plans to reorganise its North American soft drinks business by forming e separate unit to run its bottling operations, which had revenues last year of about $6bn. Page 21

Japanese polystyrene units to merge
Mitsui Toatsu Chemicals and Sumitomo Chemical are to combine their polystyrene businesses to form the second-largest polystyrene maker in Japan. The move will create a company with revenues of Y25bn ($215m). *Page 17*

Ruhrgas warns Brussels over proposals
Ruhrgas, the German gas distributor, warned that European Commission plans to liberalise the gas market would increase costs and reduce the security of supply in Germany. Page 16

Greek shipping tycoon dies
Mr George P. Livanos, who controlled Greece's biggest merchant shipping fleet, died et his Aegean home on Sunday. He was among the wealthiest, but least conspicuous, of the ship-owning generation known as the Golden Greeks. His fleet was valued at $950m. Page 16

Siberian oil group reports flat profit
Surgutneftegaz, one of Siberia's biggest privatised oil producers, reported flet profits and production for 1996, suggesting the Russian oil industry's sharp contraction has levelled off. Pre-tax profits were Rbs5,200bn ($901m) on revenues up 9 per cent at Rbs25,800bn. Page 18

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Kali & Salz	171.2	+	9.2
Linde	1230	+	55
Preussag	459.5	+	9.5
Volkswagen	1120	+	25
Falls			
Altana	1560	-	16
Horten	225	-	13
NEW YORK ($)			
Rises			
Accordia	39¾	+	4⅛
Amer Real Est	13⅛	+	2⅛
Int Family Ent	30⅛	+	2⅛
Falls			
Alcatel	21⅛	-	1⅛
Axa Adr	30	-	1⅛
Fortune Brnds	31⅛	-	18⅛
LONDON (Pence)			
Rises			
Grampian TV	302½	+	40
Pearson	213½	+	17
Falls			
Abbey Natl	847½	-	33
Barclays	1135	-	52
Jhn David Sprt	271	-	59
Ryl Bnk Scot	571½	-	26¼
TORONTO (C$)			
Rises			
Amber Engy	18.25	+	2.05
Ipsco Inc	44.25	+	3.25
Mosaid Tech	16.5	+	1.0
Falls			
Econ Tech	2.5	-	9.5
Glamis Gold	8.85	-	0.8
Inter[illegible]	4.25	-	0.55

PARIS (FFr)			
Rises			
Air Liquide	903	+	18
Pernod Ricard	300	+	24.5
Synthelabo	694	+	19
Falls			
Christn Dior	890	-	15
Lagardere	158.9	-	10.9
Vallourec	314.9	-	15.1
TOKYO (Yen)			
Rises			
Chiba Bank	850	+	45
Daiei	794	+	34
Ikeda	819	+	26
Kajima	678	+	27
Sanrio	855	+	35
Tokyo Gas	314	+	17
HONG KONG (HK$)			
Rises			
China Light	41.8	+	2.8
Citic Pacific	45.9	+	1.8
SHK Ppt	97.5	+	2.25
Swire Pac A	68.75	+	4.75
Wharf Hldgs	36.4	+	1.7
Falls			
HSBC Hldgs	233	-	2.0
BANGKOK (Baht)			
Rises			
Advance Agro	58.5	+	5.0
STP & I	15.75	+	1.25
Thai Theparos	44.0	+	4.0
Falls			
Berli Jucker	80.5	-	8.5
Int Far East	22.75	-	2.5
TPI Polene	33.25	-	3.5

New York and Toronto prices at 12.30pm.

Conversion to holding company planned after lifting of 50-year ban

Fuji Bank may change status

By Gillian Tett in Tokyo

Fuji Bank, one of Japan's largest commercial banks, is hoping to become s holding company, as part of its preparations for Japan's "big bang" financial deregulation.

The decision follows a recent announcement by the Japanese government that the 50-year ban on holding companies would be lifted next spring. Other leading banks are considering similar steps.

The creation of holding companies could pave the way for significant restructuring of Japan's financial sector. Large banks would have the opportunity to ebsorb weaker institutions and more flexibility to reduce staff numbers.

However, Fuji Bank would need to seek special government consent. Under the proposed holding company bill, groups with assets worth more than Y15,000bn ($130bn) would need clearance under Japanese competition laws.

Fuji Bank had assets of Y50,196bn in September last year.

Mr Toru Hashimoto, Fuji Bank chairman, warned that the company was unlikely to take the step until the government had guaranteed that the tax regime would not penalise holding companies.

The latest draft of the government's plan for holding companies, approved by the cabinet in March, does not allow new holding companies to consolidate tax bills – offsetting one subsidiary's losses against the profits of another – as Japan's big banks wanted.

Although the government is considering changing the laws to permit consolideted taxation, it remains unclear whether the changes will be made by the time the ban on holding companies is lifted next spring.

Holding companies were banned in Japan by the US administration after the second world war, in an attempt to avoid the re-emergence of the *zaibatsu* industrial combines which were closely associated with the rise of militarism in Japan in the 1930s. Since then, the large financial corporate families have maintained links with the companies in their groups through convoluted cross shareholding.

The lifting of the ban is expected to lead to the emergence of holding companies in a number of sectors, but it carries particular significance for the country's troubled financial sector as it prepares for deregulation, which will remove barriers between banking, securities and other financial sectors.

Other city banks, such as Sanwa, and the country's largest long-term credit bank, the Industrial Bank of Japan, are considering similar moves. An IBJ official said no firm decision had been made.

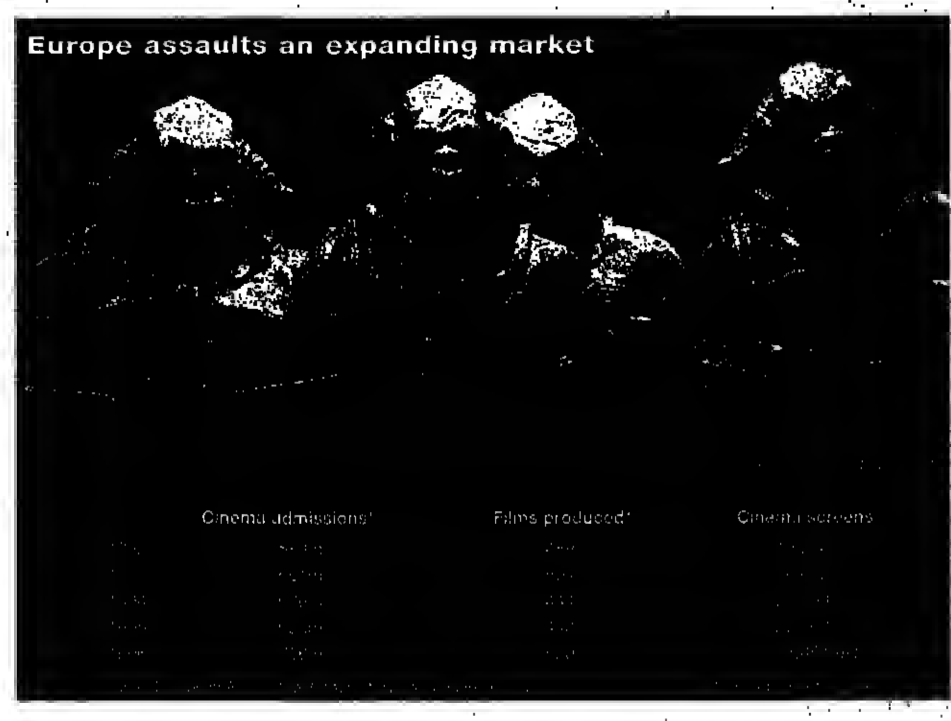
Europe set to pass screen test

Alice Rawsthorn on initiatives helping to revive a continent's film industry

The prospect of a French director shooting an English-language science fiction thriller with a balding action star and a co-star recently out of rehab for drink and drug abuse does not sound promising, particularly when the $90m budget is the highest yet for e European film.

Yet *The Fifth Element*, directed by Luc Besson and starring Bruce Willis and Gary Oldman, has overcome its inauspicious origins – and e critical drubbing – to take $67m in four countries in less than a month. Gaumont, the French cinema group which produced it, now seems likely to make a profit.

Gaumont regarded *The Fifth Element* as e test of whether it could challenge the Hollywood studios in the global film market. Last week its compatriots, Canal Plus and Pathé, announced plans to follow suit by forming e pan-European film distribution network and increasing investment in English-language production.



Their initiative comes as the European film market is expanding after a long decline. For decades, Europe's film companies lost domestic market share to US studios and were badly bruised by their ettempts to invest in Hollywood. Canal Plus invested in Carolco, the US independent production company, only to be left with heavy losses from its collapse and Pathé backed several Hollywood flops, including *Showgirls*.

The two companies plan to be more disciplined in future. Neither can afford to be as ambitious as PolyGram, the Dutch entertainment group, which has used $800m of its record companies' profits over six years to establish e Hollywood-based film production division. PolyGram recently committed another $340m to create a US distribution network in e final bid to bring its film business into profit and become the first European rival to the US studios.

Canal Plus and Pathé have established e UK production base by backing Pathé Pictures, a London-based company which has won one of the UK's National Lottery-subsidised film franchises. Last week's proposals included plans to invest up to $30m e year in US films, mostly in return for the European distribution rights.

Those rights, and those of other English-language films they finance or ecquire, will be fed through their network of distributors in France, Germany, the UK, Spain and, soon, Italy. In other European countries, the rights will be licensed to external distributors.

Until now, PolyGram has been the only European company with a continental distribution network. The rest of the European distribution sector is divided between local companies and subsidiaries of Hollywood studios.

Canal Plus and Pathé plan to use their combined buying power to negotiete better terms with US producers and to take advantage of the expanding market for European films, says Mr Alexis Lloyd, managing director of Pathé Pictures.

One source of growth is the construction of multiplex cinemas. Nearly 1,400 new screens have opened in Europe since 1990, according to Dodona Research, and admissions have soared. The European Audiovisual Observatory estimates that they reached 706m in the European Union in 1996, the highest since 1985.

The pace of cinema construction is accelerating. Dodona expects another 2,000 screens to open by 2000. European-style films are also becoming more popular internationally, as illustrated by *The English Patient*, which has taken more than $200m.

Meanwhile, the European market for film broadcasting rights, which soared from $1.37bn in 1990 to $4.72bn last year, according to Screen Digest, is poised for further growth as hundreds of digital channels come on air. Canal Plus and Pathé already have an entrée into this market as Canal Plus is one of Europe's largest pay-TV companies and Pathé is e shareholder in BSkyB satellite television.

Hollywood has acknowledged Europe's growing commercial potential by shooting more blockbusters on the continent. Steven Spielberg, Stanley Kubrick and George Lucas are among US directors filming in Europe this summer.

PolyGram, which plans to make a *Thunderbirds* film in the UK, is committed to shooting more European pictures, as are most UK television companies.

New European investors are also emerging, notably Virgin, the UK leisure group, which backed another successful National Lottery franchise bid. UFA, Germany's largest television producer, plans to return to feature film production and may follow Gaumont, Canal Plus and Pathé into the international market by financing English-language films.

Turkey, China in D-Mark bond plan

By Edward Luce in London

Turkey and China yesterday announced plans to issue bonds denominated in D-Marks in what will be seen as a strong fillip for the German bond market ahead of the expected launch of European monetary union in 1999.

Turkey – which is expected to launch its DM1bn ($590m) issue this week – is the latest in a growing number of high-profile emerging market issuers to offer bonds in D-Marks.

As well as Turkey, which last issued a D-Mark bond of this size in 1993, China is planning to tap the German bond market for the first time in a decade, while Romania will today issue its debut bond in the German currency, offering DM300m-DM500m to investors.

Other borrowers to issue bonds for the first time in D-Marks in recent weeks include Slovenia, which launched e DM500m eurobond et the end of last month and Russia, which issued a DM2bn bond in March. Lebanon also raised funds in D-Marks for the first time last week.

Despite growing worries over the timetable for Emu – reinforced by the left's victory in the French election – many borrowers from the emerging markets are still actively preparing for the new single European bond market.

According to bankers, they see the D-Mark as the closest proxy for the new currency. The recent weakness of the D-Mark against the dollar and sterling may increase its attraction to bond issuers.

"Emerging markets are issuing D-Mark-denominated bonds as the best way to establish credibility with European investors before monetary union," said an official at Commerzbank, which will lead Turkey's five-year bond with West Deutsche Landesbank.

The deals also reflect the growing interest of institutional and retail investors in higher yielding emerging market debt. "Germany has by far the broadest investor base for emerging market borrowers in Europe," added the banker at Commerzbank.

Bond syndicate officials say the D-Mark is likely to become increasingly popular for emerging market borrowers over the next 18 months.

Eurobonds, Page 26

Amer investors defy board and sell majority holding

By Greg McIvor in Stockholm

Amer, the Finnish sporting goods group whose brands include US-based Wilson, was in turmoil last night after its main shareholders defied the board and agreed to sell e majority holding to Lord Moyne, the UK investor.

In an extraordinary day et Amer's headquarters in Helsinki, e group of four Finnish academic institutions, which control 91 per cent of the votes and 13 per cent of the equity, rebelled against e board plan to simplify the share structure.

The plan – to exchange the institutions' K preference shares for regular A shares – was designed to increase liquidity in Amer's stock, but was defeated yesterday at a shareholders' meeting.

Instead, shareholders said they were selling K shares representing 58.4 per cent of the votes and 4.8 per cent of the capital to Lord Moyne, formerly Mr Jonathan Guinness, for FM301m ($57.88m).

The move was e complete surprise for Amer's board, which was only alerted at the weekend. It was understood last night thet Mr Antti Lagerroos, Amer chairman, had resigned.

Mr Roger Talermo, chief executive, said he spoke briefly to Lord Moyne yesterday and was assured of his future and that Amer would continue on the same strategic path. "That is all I know at this stage," he said.

Lord Moyne told a news conference in Helsinki he had no experience of sporting goods, but there were similarities with the strong brands owned by Guinness, the UK drinks group of which he was non-executive director between 1961 and 1988.

He said he was considering becoming chairman, but would "not be involved immediately with the operative management".

Amer is the world's second-largest sporting goods maker. Its brands include Wilson golf equipment and tennis racquets as well as Atomic skis. The group has incurred heavy losses since 1996 following an ill-timed expansion.

However, its shares rose sharply yesterday. The A shares, which were suspended until mid-afternoon, gained FM6.1 to FM116 when trading restarted.

Halifax sell-off is UK's largest

By Christopher Brown-Humes in London

Halifax, the UK's third-largest bank and eighth-largest company, yesterday made a successful debut on the London Stock Exchange, with nearly 8m people sharing an £18.4bn ($29.99bn) free shares bonanza.

Halifax is one of five UK building societies – mutually owned mortgage lenders – converting to stock market listed banks this year and is offering its savers and borrowers free shares. The flotation – the UK's stock market's biggest – has increased the wealth of one-in-six UK adults by an average of more than £2,400.

The shares opened at 774.5p, higher than the most optimistic forecasts last week. But they later lost ground amid general stock market uncertainty and a sharp fall in the value of other bank stocks including Lloyds TSB, Barclays, and Abbey National.

The closing price, at 734.5p, was only slightly higher than the 732.5p average price paid by 200 institutions in an auction for 23 per cent of Halifax's shares on Friday.

In all, 647m Halifax shares (including the auction stock) changed hands yesterday – a record for any company and half the total market volume.

The debut was buoyed by institutional and retail buying, according to Merrill Lynch, brokers to the issue. The closing price puts the company on a price/earnings multiple of 17 times – higher even than Lloyds TSB, the top-rated bank.

Mr John Aitken, banking analyst at UBS, put Halifax's fundamental value at 640p, but said it should continue to trade at a premium to this because of scarcity value.

In January, Deutsche Morgan Grenfell, adviser to the flotation, estimated the shares were worth between 390p and 450p, valuing the group at £10.4bn to £12bn.

The Halifax flotation has turned the country's biggest mortgage lender into its third-biggest bank after 144 years as a mutual.

London Stocks, Page 34
Lex, Page 14

Ruhrgas warns over liberalisation plans

By Peter Norman in Essen

Ruhrgas, the big German gas distributor, yesterday warned that European Commission plans to liberalise the gas market would increase costs and reduce the security of supply in Germany.

Taking issue with Brussels' proposals for mandatory third-party access to pipeline networks, Mr Friedrich Späth, Ruhrgas chief executive, said such e regulation would make it "more difficult, if not impossible" to conclude and keep long term contracts with *"take or pay" obligations.*

Such contracts, which commit gas companies to taking a specified amount of gas at pre-determined prices over a long period, were necessary for the German gas sector to justify its high investments and associated risks, Mr Späth said.

He pointed ont that Germany met only 20 per cent of its natural gas consumption from its own production and thet over time as mnch as 90 per cent of its gas would have to be imported, increasingly from non-EU suppliers *such as Norway, Russia and* Algeria.

"It lies in our own interests that foreign reserves can be developed on a secure basis", Mr Späth said. Ruhrgas accepted freedom to build pipelines and negotiated access of third parties to pipelines, bnt mandatory access would weaken the position of German gas companies against their foreign suppliers with negative effects for the consumer, he said. "It is clear that the policy would not result in permanently lower prices," he added.

EU energy ministers last week failed to agree on opening the EU's $100bn-a-year gas market to competition, and left tha Netherlands presidency to decide whether to call another meeting on June 24.

Ruhrgas, which is owned by three consortia belonging to German utility and engineering groups and international oil companies, has committed itself to long-term contracts on a massive scale. It has covered its forecast gas requirements until 2010, and its long-term contracts for 1,250bn cu m of gas of *high calorific value are about twice* the UK's proven gas reserves.

The cold winter in 1996 enabled Ruhrgas to increase turnover last year for the first time since 1991. But while group turnover rosa from DM13.66bn in 1995 to DM15.21bn ($8.9bn) in 1996, group nst earnings advanced only slightly from DM693m to DM698m, reflecting the higher cost of gas and services. This year sales to the end of May are down 6 per cent in volume terms.

Staying power stands Gerber in good stead

Having engineered the group's recovery, at 68 the Roche chief shows no signs of easing off

Few chief executives of Fortune 500 companies would be confident enough to make the biggest acquisition in their company's history without the advice of a bevy of highly-paid investment bankers and lawyers.

But Roche's Mr Fritz Gerber, 68, who masterminded last week's $11bn acquisition of Boehringer Mannheim, e family-controlled pharmaceuticals group, is one of them.

When he took over Roche in 1978, the company was facing the same sort of difficulties that forced Boehringer Mannheim to surrender its indspendence. It had failed to find e replacement for Valium, the world's first blockbuster drug, and it had squandered its profits from Valium on a series of ill-considered diversifications.

Mr Gerber cut costs, cancelled the more ambitious diversification moves and refocused the business.

It still took some time for Roche's beevy research effort to start producing successful drugs again. But eventually its research paid off, with a series of new drugs which have underpinned a 25 per cent a year growth in net income over the past decade. Roche's market capitalisation has jumped from SFr11bn to SFr110bn ($77.8bn).

Mr Gerber belongs to a small clique of Swiss business leaders, such as Mr Helmut Maucher of Nestlé, 69, and Credit Suisse's Mr Rainer Gut, 64, who are often to be found around the same boardroom table. However, as the Boehringer Mannheim deal indicates, Mr Gerber shows no signs of preparing to bow out like his peers.

"I am aware of my age," he says, but adds: "I want to take Roche into the next century as e strong and fit player."

Mr Gerber comes from a humble background. His father wes a furniture maker, and he worked his way through law school. It has been said that he inherited the best Swiss qualities – simplicity and toughness – while escaping the tendency for arrogance.

However, he has also been described es the "smiling strangler" on eccount of the way he can make or break the careers of his executives. Being tipped as the man most likely to succeed Mr Fritz Gerber has never been a passport to success et Roche.

Nevertheless, Mr Gerber has re-established Roche over the past decade as one of the world's most successful drug companies.

Diagnostics was one area of unfinished business for Mr Gerber. It is the smallest of Roche's four core businesses and accounts for less than 5 per cent of group sales, against 11 per cent 10 years ago.

While acknowledging his age, Fritz Gerber has vowed to take Roche into the next century as a strong and fit player

Boehringer Mannhsim quadruples the sizs of Roche's diagnostics business and fits Roche's strategy of being a leader in its core businesses. However, Mr Gerber's bid was driven as much by opportunistic considerations as strategic. He is a long-time friend of Mr Curt Engelhorn, 71, grandson of Boehringer Mannheim's founder and its biggest shareholder, and had watched the Engelhorn family's difficulties in solving its management sncccession problem.

An attempt to bring in professional managers in 1994 had back-fired and Mr Gerber knew some Engelhorns wanted out.

The initial idea was for Roche to buy the shares of family members who wanted to sell. However, Mr Gerber wanted all or nothing, and refused to accept e suggestion that he should agree to no redundancies among Boehringer Mannheim's 18,000 staff.

As for the price, Mr Engelhorn wanted $12bn, bnt eccepted Mr Gerber's offer of $11bn.

There are parallels between Roche and Boehringer Mannheim. Roche was founded in 1896 and is still controlled by its founding families.

Boehringer Mannheim, founded in 1859, is owned by four strands of the Engelhorn family. The difference is that Roche has mastered the trick of harnessing the benefits of professional management with the advantages of family control, which insulates it from the more unrealistic short-term demands of some institutional investors.

But had it not been for the arrival of Mr Fritz Gerber, Roche might well have suffered a similar fate to Boehringer Mannheim.

When Roche hired Mr Gerber in 1978 it was an act of desperation. Unlike Roche's previous four chairmen, he had never been involved with the company. Even more unusual, be was allowed to continue heading Zurich, Switzerland's second-biggest insurance group, for the next 17 years – e period when Zurich prospered.

Mr Gerber's early years at Roche were not easy. New drugs were hard to find and Roche's share price in 1986 was 50 per cent below its peak of the early 1970s.

This ettracted the ettention of ICN Pharmaceuticals, a US predator, and although it was rebuffed the move highlighted Roche's vulnerability.

However, Mr Gerber persevered, cut costs and focused Roche on four core businesses in which it aspired to be e world leader.

"If there is no chance of getting there in e reasonable time, it is better to divest," says Mr Gerber – which explains why Roche paid $2.1bn for Genentech in 1990, $5.3bn for Syntex in 1994, and has now bought the world's second-biggest diagnostics company.

Today, Roche has one of the strongest new drug pipelines in the pharmaceuticals industry, and in its three other core businesses – vitamins and fine chemicals, flavours and fragrances, and now diagnostics – it is either number one or two.

Mr Gerber has yet to prove that, long-term, Roche's three smaller core businesses can be as successful as its biggest business – the manufacture and marketing of therapeutic drugs. However, be intsnds to be around long enougb to ensure that they are.

William Hall

OBITUARY: George P. Livanos

Shipowner and environmental campaigner

Mr George P. Livanos, who controlled Greece's biggest merchant fleet ranging from super-tankers to hydrofoils carrying tourists to the Aegean islands, died on Sunday after a long illness.

He was among the wealthiest but most inconspicuous of the ship-owning generation known as the Golden Greeks. The Livanos fleet consists of about 100 Greek-flag ships totalling 4.9m deadweight tons. It was valued in April at $950m, a Greek banker said.

Mr Livanos, 74, differed from other Greek shipowners both in his appetite for undertaking long-term risk and by investing heavily in maintenance of his fleet of super-tankers, product carriers and "mini-bulkers", e class of small freighters ha introdnced to operate in shallow waters and river estuaries.

The founder of Greece's first marine pollution-control organisation, HELMEPA, he defended e controversial purchase in the early 1990s of six ageing snper-tankers (ULCCs) of more than 450,000 tons each as "the cheapest possible way of shipping oil". It will now be up to Mr Peter Livanos, his son and heir, to prove his fether's claim that with proper maintenance and crew-training the ULCCs can operate safely and profitebly, despite stricter environmental regulations that have curtailed super-tanker operations following the disastrous oil spillage from the Exxon Valdez off the coast of Alaska.

Educated in the US, Mr Livanos was among the first Greek shipowners to study business administration before purchasing several "Liberty" ships, the small freighters made available by the US to replace Greek tonnage sunk during the second world war which formed the basis of the Greek shipping industry.

In competition with other ambitious Greek shipowners, including Mr Aristotle Onassis and Mr Stavros Niarchos, he built up e large fleet of oil and chemicals tankers.

But Mr Livanos's reliance on "wet" cargoes brought his shipping operations close to bankruptcy both after the first oil shock in 1973 and during e prolonged shipping crisis in the early 1980s. On both occasions he was rescued by his father-in-law, the London-based shipowner Mr John Carras.

However, Mr Livanos outwitted both his rivals by purchasing Russian-built hydrofoils, originally designed for military use, to compete with passenger ferries carrying tourists to the Aegean islands.

The hydrofoil services gave e boost to Greece's tourist industry by sharply reducing travelling times to popular islands near Athens and opening up remote coastlines for development.

The Ceres hydrofoil fleet still provides e strong cash flow for the Livanos operations, although its near-monopoly position in the Aegean is being challenged by new catamarans which can cover longer distances et similar speeds.

Mr Livanos campaigned energetically for shipowners to take more responsibility for the marine environment, eventuelly persueding almost 30 per cent of Greek owners to join HELMEPA programmes for improving training and safety aboard tankers, which are partly funded by the European Union.

His son, Peter, took over day-to-day management three years ago of Ceres Hellenic Shipping Enterprises, a family-owned company based in Piraeus. He is expected to continue his father's policy of aggressive trading.

Kerin Hope

ASIA-PACIFIC NEWS DIGEST

Fujitsu sells plant to reduce costs

Fujitsu, the Japanese computer and electronics company, is selling one of its domestic semiconductor plants to a Chinese company. It will continue to procure products from the plant to sell under its own brand.

Fujitsu will sell its bipolar semiconductor production line at Aizu Wakamatsu in west-central Japan to Hua Yue Microelectronics, based in the Zhejiang Province, for an undisclosed sum. It said the shift to procurement from Hua Yue would enable it to benefit from the lower wage costs and utilities costs in China and to supply the Chinese market, which has seeo stable demand over the past several years. Fujitsu, which has already started training workers from Hua Yue, believes it will be able to procure about 10,000 five-inch wafers per month of the chips, which are used in washing machines and audio equipment. The Japanese company has been contracting out front-end processing of logic chips to Hua Yue since 1995. Assembly of the chips is carried out in Japan and the final product is sold under the Fujitsu brand.

Japanese companies have been stepping up their investments in China'a growing semiconductor market in the belief that China's semiconductor market will triple in size to $14.7bn by 2000. Fujitsu also announced last week that it was setting up a joint venture semiconductor assembly plant with Nantong Huada Microelectronics to assemble microcomputers in Jiangsu province.

Michiyo Nakamoto, Tokyo

SingTel to cut overseas rates

Singapore Telecommunications, the island-state's biggest corporation, said yesterday it would cut its international direct dialing rates by up to 15 per cent from July 1.

The cuts, which come after an 18 per cent tariff reduction earlier this year, are expected to result in savings of S$3m (US$2.1m) for customers, the company said. "This round of rate cuts will place SingTel in an even more competitive position against foreign carriers," it added. SingTel will lose its monopoly to provide fixed-line and IDD services from April 1 2000.

SingTel adjusts its IDD rates periodically against a basket of IDD rates from countries in the region. It also takes into account the strength of the US dollar against the Singapore dollar and the other regional currencies.

James Kynge, Kuala Lumpur

Bangkok Land profits slump

Bangkok Land, one of Thailand's largest residential property developers, said full-year net profits fell 99 per cent to Bt7.37m ($295,700). The slump is the result of cash flow difficulties at the company's flagship Muang Thong Thani development oo the outskirts of Bangkok.

Full details were oot provided, But a recent report by ABN-Amro Hoare Govett put the company in the "almost bankrupt" category, with accounts receivable more than 100 times annualised revenues, profits less than 100 per cent of interest costs and profits less than 3 per cent of inventories. Recent ettempts at a bail-out of the company via e move of parliament offices to the Muang Thong Thani site have failed, although the Defence Ministry is understood to be looking to house some of its employees there.

Ted Bardacke, Bangkok

CTII in construction buy

China Travel international Investment, the mainland-backed travel, tourism and investment group, is to pay HK$466.39m ($US60.2m) for e 51.66 per cent stake in Sun Fook Kong Holdings, a construction company also listed ou the Hong Kong stock exchange. The purchase will be followed by e general takeover offer. It will spend a further HK$7.33m on warrants carrying rights to subscribe for some 3.8 per cent of the Sun Fook's shares.

CTII has conditionally agreed to splitting the purchase with Mr Albert Chow, a former deputy managing director of Cheung Kong Holdings, the property developer controlled by Mr Li Ka-shing. Mr Chow will take 8 per cent of Sun Fook and, ou completion of the deal, be appointed managing director. Mr Li has withdrawn from the offer and agreed to be a passive investor after the Hong Kong securities regulators ruled he was acting in concert with CTII and Mr Chow. CTII has also agreed to buy three subsidiary construction and housing companies for about HK$64.29m.

The price being paid for SHK Holdings is HK$1.08 a share, an 18.68 per cent premium to the unaudited consolidated uet asset value of HK$763.99m at March 31.

Louise Lucas, Hong Kong

Giordano fined HK93m

Giordano International, the Hong Kong-based clothing retail chain plagued by setbacks in its mainland operations, has been fined HK$93m (US$12m) for breaches of China's customs and commerce rules. The alleged breaches happened between 1992 and 1995.

Certain manufacturing units received penalty notices from the customs euthorities, which alleged the improper transfer of duty-free equipment to other companies within the group and irregularities in the usage of raw material imports. A further part of the fine relates to an alleged breach of a business licence by the sales office of a Giordano subsidiary.

Louise Lucas

Japanese polystyrene units to merge

By Michiyo Nakamoto in Tokyo

Mitsui Toatsu Chemicals and Sumitomo Chemical said yesterday they would combine their polystyrene businesses to create the second largest polystyrene maker in Japan.

The two companies will spin off their polystyrene businesses into a 50-50 joint venture in October.

The move, which will create a company with total revenues of about Y25bn ($215m), is part of attempts within Japan's petrochemical industry to restructure production amid fierce competition, low profitability and rising raw material prices.

The joint venture will be the second largest producer of polystyrene in Japan, after Asahi Chemical Industry.

The merger highlights the pressures for consolidation within the industry. Japanese companies generally seek to merge with other members of the same corporate group, as in the merger of Mitsui Toatsu with Mitsui Petrochemicals, also scheduled for October.

However, the deteriorating business environment for polystyrene producers means they must look beyond group companies to ensure their survival. Mitsui Toatsu belongs to the Mitsui group, whereas Sumitomo Chemical is part of the rival Sumitomo group.

Japanese polystyrene makers have been battered by the tendancy among their main customers in the office automatiou and consumer electronics products sectors to shift manufacturing overseas.

With 10 domestic producers competing for a market worth Y120bn, Japan's petrochemical companies are all losing money in polystyrene.

One of the main problems polystyrene makers face is that, even as naptha prices have surged, it has been difficult to raise prices because so many companies are selling the same product, notes Mr Koichi Ishihara, analyst at UBS Global Research in Tokyo.

The number of companies should be reduced to about four for each petrochemical product, Mr Ishihara says.

The small size of Japanese petrochemical companies also means they are not as competitive globally as their larger foreign rivals.

However, the Mistui-Sumitomo merger is not expected to create a company large enough to alter the competitive balance or to lead to sufficient consolidation. The combined annual production capacity of the two companies is just 242,000 tonnes.

Rising markets help lift Macquarie

By Nikki Tait in Sydney

Rising financial markets and strong corporate activity helped Macqurie Bank, Auatralia's only large domestically-owned investment bank, to post a 25.4 per cent increase in after-tax profits in the year to end-March, from A$92.2m a year ago to A$116.9m (US$89m).

The result came despite Macquarie'a involvement in the underwriting of the unsuccessful Stadium Australia issue. This was designed to raise about A$360m for the building of the Olympic Stadium in Sydney, but well over half the securities on offer were left with the underwriters.

Yesterday, Mr Allan Moss, Macquarie'e managing director, said the bank had written down the value of stadium units to a "conservative level" and continued to carry them as a trading asset.

However, he added that the bank was confident it would be able to sell them at the issue price "in time". "They're a fundamentally good asset," he claimed.

The securities were included among "other assets" on Macquarie'a balance sheet, the total value of which rose from A$885m a year ago to A$1.17bn.

Macquarie said the year's profit advance had been achieved across all five business groups. The largest contributor was corporate finance, accounting for 28 per cent of total profits, although this was smaller than last time's 33 per cent.

The treasury and commodities divisions were steady at about 2 per cent, while corporate banking accounted for about 17 per cent compared with 25 per cent.

The equties division performed stongly, lifting its its contribution to the result from 9 per cent to 17 per cent. The Australian stock market has been at record levels recently, and tha period was marked by record market turnover.

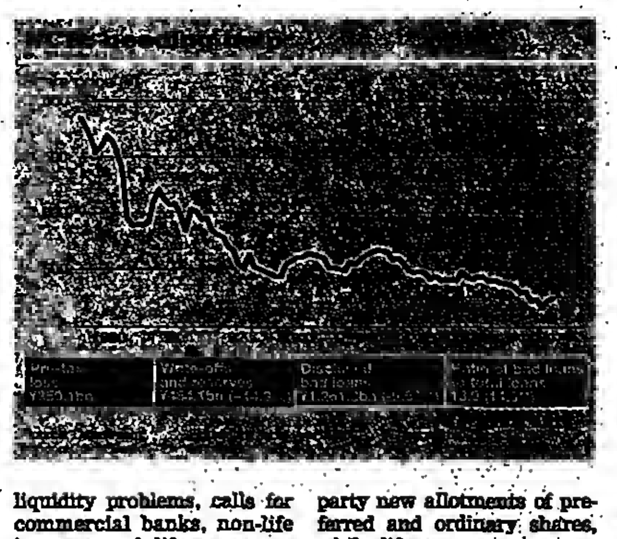
Macquarie's profit was struck on total operating income of A$530.1m, up from A$435.2m, with operating expenses increasing from A$336.1m to A$391.9m. Earnings per share rose from 63.1 cents to 74.9 cents.

Mr Moss added that Macquarie remained "busy, right across the bank" in the current year.

Macquarie ehares closed 4 centshigher at A$9.50.

Nippon Life throws lifeline to NCB

By Gwen Robinson in Tokyo



Nippon Life Insurance, Japan's largest life assurance company, yesterday decided to contributa Y28.25bn ($242m) to a massive government-backed rescue package for Nippon Credit Bank, in a move that will clear uncertainty about the future of the financially-troubled bank.

Critics, however, have said the bail-out plan is an unwelcome return to the old "convoy" system, undar which stronger companies were traditionally expected to support weaker ones.

As industry leader, Nippon Life's decision is widely seen as the trigger for other life assurers to follow suit and provide financial support for NCB's Y291bn recapitalisation and restructuring.

The government-backed plan, announced on April 1 at tha haight of NCB'a liquidity problems, calls for commercial banks, non-life insurers and life assurance companies to contribute a total Y167bn to NCB's capital increase programme. Banks and non-life insurers have been asked to contribute about Y70bu in third-party new allotments of preferred and ordinary shares, while life assurance companies have been asked to convert about Y97bn of subordinated debt into preferred and ordinary shares. Tha remaining Y124bu would come from a special fund established by the Bank of Japan.

Leading banks and non-life insuranca companiaa involved with NCB have already agreed to co-operate in the plan. Life assurers, however, bave shown marked reluctance to participate – particularly since the collapse last month of Nissan Mutual Life Insurance, the first life assurance company to fail in Japan since the second world war, with estimated net liabilities of Y310bn.

The industry, led by Nippon Life, wanted the government to contribute to an unrelated Y200bn rescua plan for Nissan Mutual. Financial authorities have indicated that official assistance is unlikely, but at the same time they have been pressing Nippon Lifa and other life insurers to support both Nissan Mutual and NCB. Another deterrent for participants in NCB's recapitalisation plan is that NCB is not expected to be able to pay dividends for at least several years.

Mr David Threadgold, analyst at BZW in Tokyo, said that yesterday's decision by Nippon Life would restore confidence in the bank's future. "The life assurers have been holding out in the hope of extracting some sort of concession for Nissan Mutual. But if Nippon Life has fallen into line on a bank rescua without any reciprocal arrangement, you have to assume the others will follow suit and the restructuring effort now looks pretty much a certainty."

NCB, the smallest of Japan's three long-term credit banks, incurred record recurring losses in the business year to March 1997 of Y350.16bn, before tax and extraordinary items.

BA in talks with Brussels on alliance

By Emma Tucker in Brussels

Mr Robert Ayling, chief executive of British Airways, met Mr Karel Van Miert, the EU competition commissioner, in Brussels yesterday in a bid to establish the Commission's demands for approval of BA's proposed alliance with American Airlines.

The "friendly and constructive" atmosphere reported at the meeting signalled a cooling of tempers between the two sides after a public clash earlier this year when the Commission insisted it had a right to vet the controversial deal.

The change of government in the UK has heightened prospects of an early agreement, with the Commission and British competition authorities indicating a willingness to co-operate in investigating the alliance, which would create the world's largest airline group.

But British Airways, which announced the alliance a year ago, is understood to be still prepared to call the deal off if it judges that demands from the regulators render the alliance uncommercial.

It argues that any such demands by the competition authorities would be bad for consumers and unfair on BA, which already has to compete against three other alliances involving EU airlines, including United Airlines of America, and Germany's Lufthansa.

Industry experts believe that the formation of such alliances are an inevitable consequence of developments in the world aviation market and are necessary to ensure the future competitiveness of the European airline industry.

Brussels is particularly concerned about the number of take-off and landing slots that BA-AA would control at Heathrow. But BA argues that the question of alot allocation needs to be looked at in a wider European context.

It points out that while BA uses 38 per cent of the slots at Heathrow, Lufthansa has 61 per cent of the slots at Frankfurt. BA is also aggrieved about its lack of access to Milan and to Paris's Orly airport.

A preliminary report from the UK's Office of Fair Trading said BA-AA shoud be made to cede 168 weekly slots in return for approving the allance. Such a move would involve AA giving up almost all its 196 Heathrow slots – a move some transport experts believe would push the deal to the limits of commercial vability.

Profits, output stabilise at Russian oil group

By John Thornhill in Moscow

Surgutneftegaz, one of Siberia's biggest privatised oil producers, reported flat pre-tax profits and production levels for 1996, suggesting that the sharp contraction in Russia's oil industry has finally levelled off.

The company's pre-tax profits came to Rbs5,200bn ($901m) last year – unchanged from 1995 – on revenues 9 per cent higher at Rbs25,800bn. Mr Vladimir Bogdanov, Surgutneftegaz president, said the company had produced almost 2 per cent more oil a day over the first five months of this year and was likely to exceed last year's total output of 33.3m tonnes.

"Production will certainly be more than 33m tonnes," Mr Bogdanov told shareholders at the company's annual meeting in the remote Siberian city of Surgut.

At that level, Surgutneftegaz's output matches that of Amoco, the US oil group, although it remains significantly below the Russian company's 1990 production level of 51.1m tonnes.

Analysts suggested Surgutneftegaz, with higher than average export sales, was well positioned to benefit from a turnround in the Russian oil industry. Total exports *rose* from 11.7m tonnes in 1995 to 12.1m tonnes last year, representing one-third of total output.

Siberia-based Surgutneftegaz is Russia's second most valuable oil company

The company, which has been slowly shaking off its reputation for being unfriendly to foreign investors, has seen its share price rise sharply over the past few months after it allowed its shares to be traded in the form of American Depositary Receipts. It estimates that about5 per cent of its equity is now taded in ADR form.

Surgutneftegaz now has a market value of $4.6bn, making it the second most valuable Rusian oil company behind Lukoil, which boasts a market capitalisation of about $106bn.

At the meeting, Surgutneftegaz shareholders approved a new charter removing a 5 per cent limit on foreign ownership However, no single sharebolder will be allowed to speak for more than 1 per cent of the votes – although this provision may be waived by management in exceptional circum*stances*.

Surgutnetegaz's accounts were prepared under Russian statutory accounting standards, which differ from international standards.

Gencor shares lifted by possible London listing

By Mark Ashurst in Johannesburg

Shares in Gencor, South Africa's second-largest mining group, rallied yesterday on the news that the group may be considering a London listing for parts of its business.

The shares gained 2 per cent to close at a two-month high of R19.95.

Analysts yesterday welcomed the news, saying the move was intended primarily to secure a London listing for Gencor's aluminium and nickel operations.

"We are expecting explosive price action in nickel and aluminium towards the end of the year, and Gencor is the only South African group exposed to both commodities," said Mr Barry Seargent, mining analyst at BoE Natwest.

Mr Brian Gilbertson, Gencor chairman, said he was "evaluating a number of major opportunities, including projects in South Africa and Mozambique, in Venezuela and Brazil, and in Colombia and Australia". These would require new capital, he added.

However, he stressed that the Gencor board bad not approved any restructuring and "a number of burdles had to he overcome". The group is believed to be considering a demerger of its base metals and precious metals interests.

The move could enable Gencor to raise money on the international capital markets to fund its battle with Anglo American for new international mining business.

Pinault threatens action over Artémis ownership

By Andrew Jack in Paris

Mr François Pinault, the French industrialist, is threatening legal action to stop a move by a state-controlled agency to prevent him taking full ownership of the private company which controls Pinault Printemps Redoute, the retail giant.

Mr Pinault wrote last Friday to Mr Michel Rouger, head of the Consortium de Réalisation, the body charged with selling off assets formerly held by Crédit Lyonnais, the troubled bank. He objects to the CDR's proposed restructuring of its bolding in Artémis, which owns 42.6 per cent of Pinault Printemps Redoute.

The deal would transfer CDR's 24.5 per cent stake in Artémis to EPFR, the public sector organisation established by the French state to supervise the assets being sold by CDR. The move was intended to stop Mr Pinault acquiring the stake at what CDR believed was a knock-down price.

Artémis is the family holding vehicle of Mr Pinault, which contros his stake in Pinault Printemps Redoute, as well as the Château Latour vineyard and a portfolio of junk bonds. However, Mr Pinault only owns three-quarters of Artémis.

CDF, which is required to realise as much money as possible for the Crédit Lyonnais assets it holds, hired Goldman Sachs, the US investment bank, in an effort to find alternative buyers for the Artémis stake. It made the transer to EPFR just ahead of a leadline last Thursday.

EUROPEAN NEWS DIGEST

Zurich Group raises $1bn in US

Zurich Group, the Swiss insurer, has raised $1bn through a private placement in the US, increasing speculation that it is poised to make a significant US acquisition.

There has been persistent speculation thet Zurich is negotiating to buy Scudder Stevens & Clark, a US money manager. It has made no secret of its interest in building up its asset management business, and Scudder, which is primarily an equity manager, would complement Kemper's concentration on bond funds. Scudder is known to be for sale and a price tag of $1.5bn has been mentioned.

Zurich has refused to comment on the speculation over Scudder, but confirmed that the proceeds of the offering might be used for general business purposes and the funding of any potential acquisitions.

William Hall, Zurich

CSFB loses Swiss Telecom role

Credit Suisse First Boston, Switzerland's leading investment bank, has lost the race to lead the initial public offering of Swiss Telecom, which could raise up to SFr5bn ($3.57bn). It has also lost its role as the company's financial adviser on the forthcoming IPO.

The Swiss government announced yesterday that it had picked J.P. Morgan, the US bank, and SBC Warburg, the investment banking arm of Swiss Bank Corporation, as global co-ordinators of the planned IPO of up to 49 per cent of the state-owned telecoms company, scheduled for the second half of next year. *William Hall*

Holzmann plan dropped

Deutsche Bank and Hochtief, the German construction company, have dropped plans to pool their stakes in builder Philipp Holzmann to obtain effective joint control because of problems with competition authorities. But the co-operation strategy being worked out by Hochtief and Holzmann in foreign markets will be continued.

Deutsche Bank and Hochtief said in March they were pooling their stakes in Holzmann to give them just under 50 per cent. This followed a long-running battle by Hochtief for control of its larger rival. The decision to drop the plan follows indications that the European Commission was about to pass the matter to Germany's federal cartel office in Berlin. *Andrew Fisher, Frankfurt*

Paris approves ferries deal

Prospects for P&O, the UK ferry group, and Stena Line, its Swedish-based rival, to merge their English Channel services in time for the summer high-season were boosted yesterday when the venture was approved by the French government.

The deal, which is intended to meet aggressive price competition by Eurotunnel, the Channel tunnel operator, will now go ahead if approved by the European Commission and the UK government. The UK decision was expected imminently, Stena said.

The French finance and foreign trade ministry said in a letter to the companies that a tie-up would not eliminate competition and would result in "rationalisation of the current overcapacity in ferry traffic on the English Channel". The ministry said the joint venture would facilitate modernisation of the companies' fleets and enable faster loading and unloading.

Greg McIvor, Stockholm

COMPANIES AND FINANCE: THE AMERICAS

Lockheed unveils satellites joint venture

By Richard Waters in New York

Lockheed Martin has won an important round in the battle for control of the global satellite communications business with a joint venture, announced yesterday, that will give it a presence in the skies over large parts of the former Soviet states and southern Asia.

The biggest US aerospace and defence group said it had formed a joint venture company with Intersputnik International Organisation of Space Communications, a Russia-based group, that will lead to the launch of a number of new communications satellites.

The announcement comes at a time of heightened competition in global satellite communicationa. While established competitors such as Loral and PanAmSat have focused on this area, a handful of newer, highly ambitious ventures are also scheduled to take to orbit, including a Boeing-backed plan to create a global communications network.

Intersputnik is an intergovernmental grouping of 22 countries that already operates an international satellite communications system, and which controls other, unused satellite slots.

Under the plan unveiled yesterday, Lockheed's space and atrategic missiles division will provide the satellites, as well as launch and ground services, for the new joint venture company.

Intersputnik will market the joint venture's services, with a main marketing office in Moscow. The first launch, planned for late next year, will be of a Lockheed communications satellite on a Russia-built Proton launch vehicle.

For Lockheed, the agreement is the latest in a string of alliances which have tied the fortunes of its space and satellite operations more closely to the former Soviet space programme.

Earlier this year, the US company announced plans to use Russia-built rockets in its own launch vehicle, known as Atlas, and last month saw the first of six planned satellite launches this year by International Launch Services, a joint venture between the US company and Russian interests.

The new company announced yesterday, called Lockheed Martin Intersputnik, will begin by carrying broadcast and telecommunications traffic for customers in eastern Europe, southern Asia, Africa and the Commonwealth of Independent States. This will be expanded to include direct-to-home video and audio services, as well as mobile telecommunications traffic worldwide.

The two sides predicted that their joint venture, to be based in London, would generate annual revenues of between $300-$500m by 2001.

Alcan Aluminium and its can-do chief

Jacques Bougie is planning to lift the group's annual performance by $300m within three years

Those who have watched Mr Jacques Bougie's radical restructure of Alcan of Canada, the world's second-biggest aluminium group, have been wondering what he would do for an encore. They need wonder no more.

Alcan is launching a programme aimed at tapping "the full business potential" of its entire operations. Mr Bougie, Alcan president and chief executive, says that by the end of three years this should boost annual after tax profit by $300m, even at today'a relatively low aluminium prices.

Alcan went from being Canada's most profitable company in 1988 to three years of losses from 1991. Behind its troubles lay its position as the industry's most international company. This left it more vulnerable than most to the surge of aluminium exports to the West following the collapse of the Soviet Union.

The group responded by cutting $600m from its permanent cost base in the early 1990s and restructured to focus on its core operations. Alcan sold 43 businesses with total revenues of $2.6bn. The process was completed last year and freed $1.2bn.

The next step was to analyse the remaining businesses to identify the maximum realisable return from existing assets.

"Although further reductions to both fixed and variable costs are an essential element of the drive to realise full business potential, this is a multi-faceted effort that will also encompass reassessing auch areas as product mix, distribution channels, customer profiles and changes to the capital base," Mr Boogie says.

He suggests that Alcan cannot pause for breath because in the past 14 years it has only made returns exceeding its cost of capital – the *weighted average cost* of debt and equity after tax – in only two. This compares with only once for the aluminium industry as a whole. He estimates that this cost of capital ranges between 10 and 15 per cent for the industry, and in Alcan's case is about 11 per cent.

Giving examples of the opportunities offered by the "full business potential" programme, be points to the Rogerstone rolling complex in the UK, where in the past five years output has more than doubled without any increase in people and little extra capital investment. This was achieved by introducing "best practices", mainly from Alcan's similar operations in the US.

He says: "We will look at what are best practices throughout the world, not just in Alcan, but elsewhere, *and not just* in the aluminium industry but related industries."

Alcan is also looking at the equipment installed in individual plants – the "kit" – and refining its product mix to ensure that the best plant for the product is used. "This is optimising the kit you have," he says.

He thinks there are also benefits to be gained from pooling all purchases throughout the group, and on the distribution side it might sell directly to customers instead of using agents. "We will also select customers with care. It costs much more to develop a new customer than to keep an existing one."

This is not a one-off programme but a continuing process: "Best practices are changing all the time."

Mr *Bougie, 50, is* a graduate in law from Université de Montreal and in business administration from Ecole des Hautes Etudes Commerciales. He joined Alcan in 1979, and was appointed president 10 years later. Colleagues describe him as a very logical thinker and persistent.

That logical approach was clear when, in 1992, Alcan undertook a study of the market outlook for aluminium. It examined every product in every country, and then looked at the viability of its 125 businesses by comparing the net present value of forward earnings for each business with the capital employed in that business.

"That gave us an objective indicator of businesses that were potentially wealth creating, those that were wealth diluting, and those that were actually wealth destroying," he says. The study concluded aluminium was a good, growing business for a low-cost producer, and that Alcan had the assets, technology and position to succeed.

Mr Bougie's confidence in aluminium's future is undimmed and Alcan remains on the look-out for strategic investment opportunities and acquiaition prospects. In April it announced it would spend $350m over three years to expand its rolling operations in Brazil, where it has the only beverage can sheet *facility in South America* and where sales of canned drinks are soaring.

Other possible projects include a $1bn smelter in Alma, Quebec, with annual capacity of 370,000 tonnes, which would make it Alcan's biggest, and a $125m bauxite mine in Australia.

Mr Bougie insists Alcan can afford all these projects. Over the past five years the group has cut its debt in half to $1.5bn and entered 1997 with gearing of only 17.8 per cent. It bas $600m in cash reserves and a $1bn multicurrency facility in place.

The investments will be over three yeara, which means Alcan might need to spend $700m a year plus the $400m required to keep its existing assets in good order. "One billion [dollars] a year is not excessive," he says.

But he admits timing will be important. "We will proceed very cautiously. The last thing we want to do in a cyclical industry is to commit to large investments and find the market collapsing."

As for acquisitions, Mr Bougie insists these will be related to core businesses: raw materials and chemicals, and emelting and rolling.

Alcan looked at aluminium companies being offered for sale by the Italian and Spanisb governments but decided it already had a strong base in Europe, where it bas roughly one-third of its assets. However, it has joined forces with Aluminum Company of America, its biggest rival, and is among seven consortia bidding for bauxite and aluminium assets being privatised by Venezuela.

Mr Bougie says: "The aluminium industry is being restructured through these privatisations and we want to be part of that."

Kenneth Gooding

Enron to pay $440m to settle dispute

By Christopher Parkes in Los Angeles

Enron, the Texas energy group, has agreed to pay $440m to settle a dispute over gas supplies from the UK sector of the North Sea with Phillips Petroleum, British Gas and Agip.

The group said yesterday it would take a $450m after-tax charge, which would push it into losses in the second quarter of the current year of between $1.40 and $1.45 a share.

Enron stock fell $⅛ to $39⅞ in early New York trading, and Phillips put on $⅝ to $43⅛ on the news that the two sides had renegotiated the disputed contract.

Under the new deal, the group has, in effect, extricated itself from a costly take-or-pay deal to buy 260m cu ft of gas a day from the North Sea's J-Block at prices far above current market rates.

Enron first tried to renegotiate the agreement in late-1995 after market deregulation and other factors had led to a sharp reduction in gas prices.

The dispute went to court last April with Enron asking a Texas judge to nullify the contract on the grounds that its North Sea auppliers had failed to provide adequate pipeline facilities.

At the time, North Sea gas prices were about 9 pence a therm, compared with the estimated 20 pence Enron had agreed to pay previously.

A UK High Court decision on the issue, which is due today, would not affect the settlement announced yesterday, the litigants said.

Under the new contract, the companies have agreed to a long-term deal at a fixed price – lower than the previously-agreed rate – to reflect current market conditions and long-term prospects for gas prices.

Gas sales will start this month and will increase to the planned daily average of 260m cu ft in July and continue at that rate for the rest of the year.

Anthem to buy rest of Acordia stock

By Christopher Adams, Insurance Correspondent

Anthem, the mutually-owned US insurer, said yesterday it planned to buy all the shares it does not own in Acordia, its insurance brok*ing subsidiary.* The group added, however, that Acordia was still for sale and talks with an unnamed third party continued.

Acordia is one of the largest insurance brokers in the world. Some analysts believe it may be sold to a financial institution rather than to another insurance broker like Aon or Marsh & McLennan, which have both made big acquisitions in recent months.

Anthem said it would buy the third of Acordia's shares it does not own for $40 each. "The proposed transaction is in the best interests of Acordia and its stockholders," *the insurance broker said.*

The parent group announced this year that it was reviewing its relationship with Acordia. Insurance broking has become an increasingly difficult business in which to grow profits. Premium rates have tumbled and clients are demanding more fee-based consultancy rather than traditional products.

PepsiCo forms separate bottling unit

By Richard Tomkins in New York

PepsiCo, the US soft drinks and snacks company, yesterday said it planned to reorganise its North American soft drinks business by forming a separate unit to run its bottling operations, which had revenues last year of about $8bn.

The move prompted speculation that it could be a prelude to a spin-off of the bottling business, but PepsiCo strongly denied this. "This isn't a precursor to a spin-off: it's simply a oew way to structure the business," it said.

PepsiCo has run into difficulties with its international soft drinks business because of tough competitioo from Coca-Cola, which bas emerged as the dominant player in the global market.

This year PepsiCo announced plans to spin off its Pizza Hut, Taco Bell and KFC fast food businesses in response to sbarebolder pressure for action to boost its flagging stock price.

Yesterday's announcement pushed its shares ahead $1⅛ to $38¾ in early trading.

Like Coca-Cola, PepsiCo manufactures concentrated cola syrup and passes it on to bottlers which add water and carbonation, bottle or can it, and sell the finished product to retailers.

Unlike Coca-Cola, bowever, PepsiCo owns a substantial proportion of its bottlers – company-owned bottlers whicb account for 56 per cent of PepsiCo's US volume.

The rest is handled by independent franchisees, the biggest of whicb is Pepsi-Cola General Bottlers, a subsidiary of the Chicago-based Whitman Corp.

Over the past 10 years, PepsiCo has adopted a policy of acquiring its North American bottlers to exercise greater cootrol over them.

The strategy contrasts with that of Coca-Cola, which believes independent bottlers are more entrepreneurial, but which often retains equity stakes in them so that it can exert its influence.

Coca-Cola's biggest bottler in the US is Coca-Cola Enterprises, in which it owns a 44 per cent stake.

PepstCo satd lt had decided to separate its bottling operations to create a unit focused exclusively on bottling.

"The size and scope of our domestic bottling business requires the individual attention of a top notch management team, and that is exactly what we are creating with this new structure," it said.

The company said the bottling business would have its own separate management structure.

The names of the people who would manage the new unit would be announced later.

Clean-air technology, blue-sky profits

Ballard Power has a significant lead in fuel cell development, but it may wait some time for the benefits

Ballard Power Systems hasn't turned a profit in 10 years, but the small Canadian firm pioneering fuel cell techoology is attracting attention and investment from the world's largest carmakers.

The breakthrough came when Daimler-Benz, the German auto-maker, recently announced it was investing C$400m (US$290m) in Ballard's technology, which aioıs to generate non-polluting energy in both stationary power plants and cars.

The deal, under which the German group will take a 25 per cent stake in Ballard and form two joint ventures with it, will enable the Vancouver-based group tn mass-produce its fuel cells for cars.

"They are doing all the right things and they have the right partners. This gives them the muscle to get this technology to market and get costs down," said one analyst.

Sparking the excitement are Ballard's fuel cells, electrochemical devices that convert methanol, natural gas or hydrogen into usable electricity without combustion, generating water vapour as exhaust.

The technology was used in the US Gemini space programme, but it was considered too bulky, inefficient and expensive to be commercially viable.

But Mr Geoffrey Ballard, the founder, knew the military was searching for a clean, quiet power source.

The NECAR III, the next fuel cell prototype, will be launched later this year Ballard

He and his team dedicated themselves to refining fuel cell technology, producing prototype fuel cell-powered buses and co-operating with Daimler-Benz to build an electric car.

Ballard's fuel cells isolate hydrogen atom electrons, which form usable electricity, while the hydrogen protons migrate through a membrane to a catalyst that causes the protons to combine with oxygen to form pure heat and water. The fuel cells can run on pure hydrogen or hydrogen derived from natural gas or methanol, which is seen as the most likely energy source for cars.

Since beginning its fuel cell research in the late 1960s, it has secured 185 patents, 10 of wbich place the company abont five years ahead of competitors.

One key innovation is its thin polymer membrane, wbicb facilitates the chemical reaction between bydrogen protons and oxygen.

Ballard has now turned its attention toward reducing production eosts, wbieb remain the biggest obstacle to mass-producing electric vehicles, said Mr Mossadiq Umedaly, the company's vice-president and cblef financial officer.

Ballard's research has not been limited to fuel cell systems for cars. Earlier this year the company formed a C$31m joint venture with GPU, an international electric company in New Jersey, to commerciallse fuel cell stationary power plants. And later this year, transit anthorities in Chicago and Vancouver are due to begin testing Ballard's fuel cell buses.

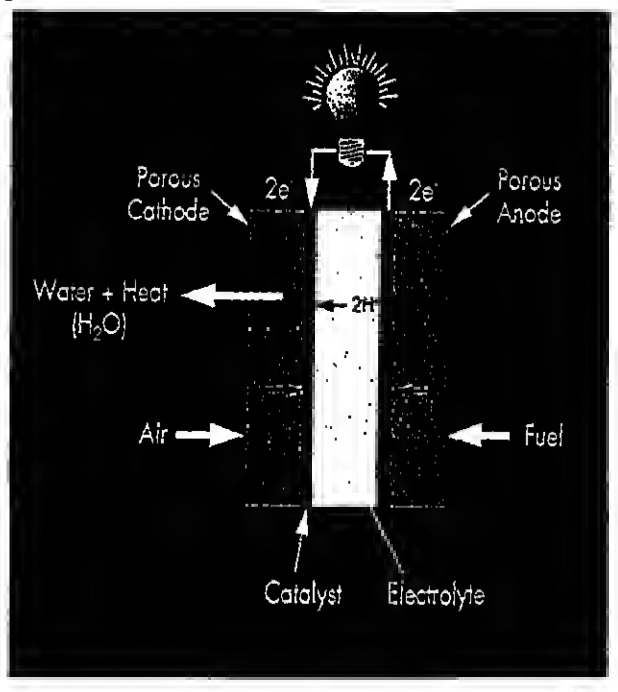
Nevertheless it is the company's potential to power cars that has spurred its share price. Toyota unveiled its own fuel cell vehicle in 1996, but analysts agreed Toyota's technology was about five years behind that of Ballard.

The world's top auto makers face the decision whether to buy or to develop fuel cell technology. Most have purchased Ballard's cells to test in their electric vehicles.

The deal witb Daimler-Benz was a significant milestone, but the group does not expect to be profitable until Ballard-powered cars are produced *en masse* – which is at least 10 years away.

Electric vehicles are likely to be successful in niche markets such as California, which has passed stringent clean-air legislation. But convincing car owners around the world to give up their internal combustion engines could prove more difficult.

Scott Morrison



Ballard

The core of the Ballard Fuel cell consists of two electrodes, the anode and the cathode, separated by a polymer membrane. Each electrode is coated on one side with a platinum catalyst. This catalyst causes the hydrogen fuel to separate into free electrons and protons (positively charged hydrogen ions) at the anode. The free electrons are conducted in the form of usable electrical currents through an external circuit. The protons migrate through the membrane to the cathode, where the catalyst causes the protons to combine with oxygen from the air and electrons from the external circuit to form pure water and heat.

AMERICAS NEWS DIGEST

Hilton attacks ITT hotels plan

Hilton Hotels has attacked the terms of a plan by ITT, which is the target of a $6.5bn hostile takeover bid by Hilton, to sell five hotels to FelCor Suite Hotels.

Part of the $200m deal calls for ITT to receive a management fee for operating the hotels, but that provision would be severed if ITT underwent a change in control. Mr Stephen Bollenbach, chief executive, said Hilton was ready to acquire the five ITT Sheraton hotels at the same price and on the same terms as FelCor, but that Hilton would exclnde the change of control provision. "If ITT is looking to dispose of any more of its core assets, Hilton is a ready, willing and able buyer," he said.

ITT defended the FelCor deal, saying FelCor requested the change-of-control provision. It added that most of the recently-announced management and franchise contracts between ITT and others contained the same provision.

Hilton launched its bid for ITT in January. ITT rejected the bid, calling it inadequate, and then began to shed non-core assets and refocus operations on its core hotels and gambling business.

ITT has sold its stake in French telecommunications company Alcatel Alsthom for about $830m and agreed to dispose of its 50 per cent stake in Madison Square Garden for about $650m. *Reuter, Beverly Hills*

Tribasa wins $240m contract

Tribasa, the Mexican construction company, has been awarded a $240m contract to build a 160km highway in Chile. It said the Chillan-Collipulli highway would take 37 months to complete. Tribasa will also hold the 25-year concession on the highway, which will connect the two cities in central Chile. The new contract is the third highway construction project Tribasa has been awarded in Chile. It is also constructing a $200m northern access route to the city of Concepcion, south of the capital of Santiago, and a $250m highway between Santiago and Los Vilos. *AP-Dow Jones, Mexico City*

CPC buys Spanish food group

CPC International, the US food company, has acquired the Spain-based Starlux business from Groupe Danone and Findim Investments. Terms of the acquisition were not disclosed. Starlux had $160m in annual sales last year. Its products include Starlux bouillons and Nocilla chocolate hazelnut spreads, both leading Spanish brands in their categories, as well as Starlux meal dishes and tomato products and Suenos de Oro herbal teas. *Reuter, New Jersey*

Banc One completes acquisition

Banc One, the US bank, has completed its $515m acquisition of Liberty Bancorp. Under the terms of the agreement, Liberty Bancorp shareholders will receive 1.175 Banc One shares for each Liberty Bancorp share in a deal valued at about $515 million. The combined bank will be the largest in Oklahoma City and one of the top three in the state. Liberty Bancorp, with assets of about $2.9bn at March 31, operates 29 banking offices in Oklahoma City and Tulsa. *AP-Dow Jones, Ohio*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

COMPANIES AND FINANCE: UK

Smiths makes £33m acquisitions

By Ross Tieman

Smiths Industries, the engineering group, reinforced its industrial group yesterday with two acquisitions totalling £33m ($53.8m).

Smiths has paid $28.7m (£17.5m) for PolyPhaser Corporation of the US, which manufactures lightning protection equipment for cellular telephone base stations.

Simultaneously, Smiths has spent £15.5m on Torin Holdings, a designer and manufacturer of small fans and motors used for cooling computers, business machinas and similar devices.

The deals bring total acquisitions by the industrial group, a division which makes up a third of Smith's business portfolio, to £273m since 1991.

PolyPhaser, based in Reno, Nevada, was founded by Mr Roger Block, and his wife Gayle in 1979. Both will remain as advisers to the business, which will be run by Mr John Cole, appointed president in 1996.

Patents protect some of the equipment, which includes electronic impulse suppressors and co-axial cable grounding systems. In the year to December 31, PolyPhaser made operating profits of $4m.

Smiths said the acquisition had been suggested by managers at Times Microwave Systems, its Connecticut manufacturer of co-axial cables used on the aerials of telecoms stations.

The company said PolyPhaser technology would also be useful to Smiths' connector business, where there was "a growing requirement for connectors which embody surge suppression to protect the associated electronics".

Torin complements the larger household and commercial fans made by Smiths' Vent-Axia division. Based at Swindon, Wiltshire, it employs 155 people. Originally part of Hawker Siddeley, the engineering group, it was bought by its present management, backed by 3i and NatWest Ventures, from conglomerate BTR in 1995.

In the year to December 31, Torin reported pre-tax profits of £2.1m.

Purchase of the business extends the range of fans produced by the Vent-Axia division into smaller applications. The business already produces fans up to 1m in diameter for industrial use.

Mr Keith Butler-Wheelhouse, chief executive of Smiths, said that the acquisitions would add more than £20m of sales a year. They would also enhance Smiths' earnings in their first full year.

600 Group set on enlargement of its global distribution network

By David Blackwell

The 600 Group, the machine tool supplier that put out a profits warning in January, lifted its dividend 25 per cent, as profits from operations last year rose from £9.9m to £11.1m ($18m).

Turnover from continuing operations for the year to March 31 edged ahead to £138.1m (£137m). Sales of lathes continued to improve in the all-important US market and in South Africa, but this was offset by disappointing performances from the steel and Australian subsidiaries.

Mr Tony Sweeten, managing director, described UK market conditions as tough, and warned that the market would remain flat this year.

He said that the key to short and medium-term prosperity for the group lay in the continuing development of the international distribution network.

The board is recommending a final dividend of 3.5p (3.25p), taking the total for the year from 4p to 5p. Adjusted earnings per share were 15.9p (14.2p).

The bottom line was flattered by a £25m exceptional credit from the pension fund, which boosted pre-tax profits to £18.5m (£11.3m). Basic earnings per ahare rose from 20.7p to 33.5p.

Earlier this month Ealing Electro-Optics and Ealing Electro-Optics Inc, its US subsidiary, were sold to Coherent, a US maker of lasers and optical components, for about £6m cash, including £2m for goodwill.

Mr Sweeten said that the sale had left the group ungeared. It would continue looking for acquisitions in its core businesses, possibly in the US.

Airtours expands with $20m buy

By Scheherazade Daneshkhu

Airtonrs continued its overseas expansion with the acquisition yesterday of ST Pacific Holdings, a privately owned California-based tour operator for $20m (£12.2m) cash.

Mr Harry Coe, deputy chief executive of Airtours, the UK's second largest tour operator, said the acqnisition would belp the group build critical mass in California.

ST Pacific, wbicb trades as Suntrips, carries 180,000 passengers a year to Mexico, Hawaii and the Caribbean and is based in San Jose, north California.

Airtours moved into California last October through Sunqnest Holdings, a start-up operation based in Los Angeles in the sonthern part of the state.

It is believed that Airtours decided on the start-up option after failing to agree a price in takeover talks with either Suntrips or Pleasant Hawaiian Holidays, California's two largest boliday operators.

Mr Coe said yesterday that the $20m price was lower than that demanded by Suntrips in negotiations a year ago.

Airtours is believed to have capacity to sell 130,000 bolidays in the US this year with the intention of building up to 250,000 next year. The Snntrips acqnisition would take the total to more than 400,000 next year.

Mr Coe added: "This does not represent the limit of our ambitions in North America which we see as one of the largest areas for growth because of the fragmented nature of its market."

SDX turns in strong maiden result

By Charis Gresser

SDX Business Systems, the telephone systems group, turned in a strong maiden set of interim figures yesterday, causing its shares to close 4p higher at 214½p.

SDX, floated in December at 160p a share, reported a 44 per cent jump in pre-tax profits to £1.86m ($3m), on turnover of £20.7m (£14.5m).

Mr Maurice Pinto, chairman, said: "The group has made good progress at home and abroad in this six months and continnes to benefit from a buoyant technology market place."

Mr Frank Bretberton, managing director, said the profit warning last week from Intel, tbe computer group, would not have much impact on SDX. "We're pretty standalone," be said.

Although the strength of sterling bad put margins under pressure in export-related sales, the company reckons that sales will maintaln their momentum. Export sales increased to £2.1m, with Sonth Africa showing strong growth.

Last year's flotation raised £7m, which has been used to repay bank borrowing and finance acquisitions.

Earnings per share rose 27 per cent to 3.6p and the maiden dividend is 0.8p.

Kleinwort Benson, tbe house broker, is forecasting full-year pre-tax profits of £4.3m, giving earnings per share of 8.2p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
ABI Leisure	6 mths to Feb 28	44.8	(42.8)	1.87	(1.82)	3.74	(3.61)	1.63	July 4	1.42	-	4.89
Beaufort Φ	Yr to Mar 31	3.98	(3.86)	0.504	(0.243)	0.161	(0.087)	0.068	Aug 28	-	-	-
Berry Birch	Yr to Jan 31	7.76	(6.78)	0.58	(0.035)	7.7	(0.2)	2	July 18	0.8	3	0.8
Emap	Yr to Mar 31	768.2	(705)	234.6♥	(78.3)	80.4	(24.5)	8.7	Aug 1	7.5	13	11.2
European Telecom	Yr to Mar 31	143.9	(78.4)	4.64♠	(1.88)	10.08†	(4.97)	1.75	Aug 21	-	2.5	-
Faber Prest	6 mths to Mar 31	41.6	(45.1)	3.3	(1.34♠)	17.17	(1.91)	6.5	-	8	-	17
Filofax	Yr to Mar 31	43.6	(42.7)	5.9	(6.6)	13.7†	(16)	2.2	Oct 31	2	3.7	3.35
Hitachi Credit	Yr to Mar 31	60.3	(51.8)	5.6	(3.7)	53.6	(34.5)	-	-	-	-	-
IOC Intl Φ	6 mths to Mar 31	3.25	(1.39)	0.411	(0.208)	1.5	(1.7)	-	-	-	-	-
John David Sports	Yr to Mar 31	88.1	(56.4)	8.97♠	(6.71)	13.45†	(10.3)	3.6	Oct 1	-	3.6	-
Lanica Trust	Yr to Dec 31	-	(-)	0.397L♠	(0.586)	14.9L	(23)	nil	-	1.25♦	nil	1.25♦
Manx & Overseas Φ	6 mths to Mar 31	5.05	(4.96)	0.103♠	(0.274♠)	0.11	(0.42)	-	-	-	-	0.406♦
Methven's Φ	6 mths to Mar 31	1.98	(1.16)	0.102	(0.019)	2.9	(0.7)	-	-	-	-	-
Northumbrian Fine	Yr to Mar 31	31.7	(28.1)	1.13	(1.15♥)	1.84	(1.88)	0.1	June 18	0.1	0.15	0.1
SDX Business	6 mths Apr 30	20.7	(14.5)	1.86	(1.29)	3.6	(2.84)	0.8	Aug 14	-	-	-
600 Group	Yr to Mar 31 ★	143.4	(146.3)	30.8♥	(13.4♥)	33.5	(20.7)	3.5	Aug 22	3.25	5	4
South Staffs	Yr to Mar 31	66	(61.8)	18.1	(15.8)	221	(194)	60	July 1	54	88	77
Technoplast	3 mths to Mar 31	3.3	(-)	0.288	(-)	0.025	(-)	-	-	-	-	-
Wyndeham Press	Yr to Mar 31	58.7	(36.6)	8.51♥	(5.12)	17.1†	(12.5)	3.2	Aug 16	2.7	5.1	4.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Trust	Yr to Mar 31	257.1	(215.4)	0.897	(1.08)	3.7	(4.4)	2.2	June 16	2.2	3.9	3.8
Fleming Indian	6 mths to Mar 31	48.78	(59.4)	0.385L	(0.156)	1.12	(1.37L)	-	-	-	-	nil
Murray Emerging	6 mths to Apr 30	99	(100.5)	0.122	(0.172)	0.2	(0.3)	-	-	-	-	0.4
Northern Investors	Yr to Mar 31	435.4	(391.9)	0.328‡‡	(0.424‡‡)	6.9	(9.2)	5	-	5	7	7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ★Comparatives restated. ♦Gross. ‡‡Pre-tax.

NOTICE OF EARLY REDEMPTION

International Bank for Reconstruction and Development
(the "Bank")

Italian Lire 200,000,000,000
Callable Capped Floating Rate Notes due 2001
(the "Notes")

NOTICE IS HEREBY GIVEN that, all of the outstanding Notes will be redeemed by the Bank on July 3, 1997 (the "Optional Redemption Date"), pursuant to Condition 6(e) of the Terms and Conditions of the Notes and Condition 12 of the Pricing Supplement. The Notes will be redeemed at their principal amount outstanding together with accrued interest to the Optional Redemption Date. Interest shall cease to accrue on and from the Optional Redemption Date.

Payment of principal and interest will be made against presentation and surrender of, respectively, the Notes and interest coupons appertaining to the Notes at the specified office of Morgan Guaranty Trust Company of New York, London Office or Banque Paribas Luxembourg.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
By: Morgan Guaranty Trust Company of New York as Global Agent

Dated: June 3, 1997

Britannia

$25,000,000
Floating rate notes
due May 2000

For the period 30 May 1997 to 29 August 1997 the notes will bear interest at 6.725% per annum. Interest payable on the relevant interest payment date 29 August 1997 will amount to $1,676.64 per $100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Rectification Notice
Amendment to Interest Rate
BANQUE NATIONALE DE PARIS
Programme for the Issuance of Debt Instruments
USD 13,000,000
Floating Rate Notes due 2002
Series 23 Tranche 1
Notice is hereby given that the rate of interest for the period from May 30th, 1997 to November 28th, 1997 has been fixed to 5.99609 per cent. per annum. The coupon amount due for this period is USD 3,031.36 per denomination of USD 100,000 and is payable on the interest payment date November 28th, 1997.
BNP The Fiscal Agent Banque Nationale de Paris (Luxembourg) S.A.

SmithKline Beecham PLC
Floating Rate Unsecured Loan Stock 1990/2010

Interest Rate: 6.4375% per annum
Interest Period: 2nd June 1997 to [illegible]

Midland Bank plc
Agent Bank

WOOLWICH
- Building Society -
$40,000,000 Series 47
Floating rate notes
due May 2000

Notice is hereby given that the notes will bear interest at 6.685% per annum from 30 May 1997 to 29 August 1997. Interest payable on 29 August 1997 will amount to $1,666.67 per $100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

BRADFORD & BINGLEY

$15,000,000 Series 17
Floating rate notes
due May 2000

Notice is hereby given that the notes will bear interest at 6.69% per annum from 30 May 1997 to 29 August 1997. Interest payable on 29 August 1997 will amount to $1,667.92 per $100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

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Emap helped by growth in advertising

By Christopher Price

Buoyant advertising growth in the UK magazine and radio markets led a 40 per cent rise in annual pre-tax profits at Emap, the media and exhibitions group.

The £121.1m ($195m) profits, excluding exceptional items, were struck on sales of £741.6m, a rise of 23 per cent. Including the £113.5m profit made from the sale of the printing and regional newspaper business, pre-tax profits in the year to March 31 were £234.6m (£78.3m).

The results reflacted strong organic growth across a range of the businesses. Operating profits from UK consumer magazines rose 15 per cent to £44.8m.

Mr Robin Miller, chief executive, said the UK market continued to be dynamic with a series of launches undertaken, as well as revamps, acquisitions and disposals within its magazine stable. Costs had been helped by a decline in paper prices.

Advertising revenues increased 11 per cent. However, the company warned that while it expected the advertising market to continue to grow strongly this year, it was more cautious about the ontlook for 1998 and 1999.

Revenues from French consumer magazines were flat. However, profits doubled to £93.2m as a result of a reorganisation of operations following the £142m acquisition last year of three best-selling titles.

Business communications, incorporating Emap'e trade magazine and exhibitions businesses, improved profits 18 per cent to £30.3m. The company confirmed discussions to dispose of "a small number" of titles were underway.

Profits from the radio division rose 40 per cent to £20.4m.

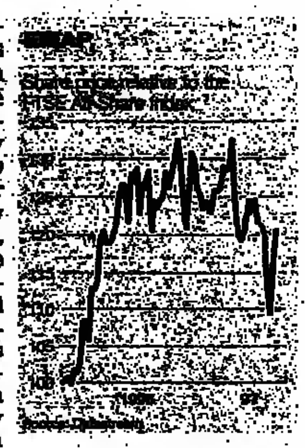
Net debt fell from £350.1m to £89.1m. Adjusted earnings per share increased 42 per cent to 38.9p. A final dividend of 8.7p, makes 13p for the year, up 16 per cent.

It also emerged yesterday that Emap paid £815,000 compensation to Mr David Arculus, its former managing director who left earlier this year to join United News & Media. The company also said it would make a formal announcement in the autumn over management succession, prompted by Mr Arculus's departure and those of two non-executive directors expelled after a boardroom row last year.

Mr Robin Miller, chief executive, remains favourite to take over from Sir John Hoskyns when he retires as chairman at next year's annual meeting.

LEX COMMENT

Emap



Cash could soon be burning a hole in Emap's pocket. Net debt fell from £350m to £89m in the financial year to end-March. That was partly helped by tha proceeds from selling its newspaper division. But, without any acquisitions or disposals, the group would still have cut debt by £71m. By end-March 1999, Emap will have a modest cash mountain unless something is done. Stepping up investment on new magazina launches, while probably sensible, will make only a modest dent on the cash flow – only £8¾m was spent in this way last year.

Hence, the group is on a hunt for a large acquisition in one of its core businesses. And the right purchase might be just what is needed to put some pep into the share price, which has recently marked time. Certainly, without a biggish acquisition, Emap's current strong earnings momentum will be hard to maintain: after this year, the main margin improvements in Emap's French business will already be in the bag and the UK advertising cycla will be mature if not actually turning.

Emap's impending embarrassment of riches is, of course, a risk as well as an opportunity. It would be easy to fritter the cash away on an ill-judged purchase. Fortunately, there is as yet no sign of this. Emap did not, for example, outbid United News & Media for Blenheim; and its recent acquisition record is good. Still, with the management succession not yet settled, investors will not want to take too much good news for granted.

Twin track through shifting sands

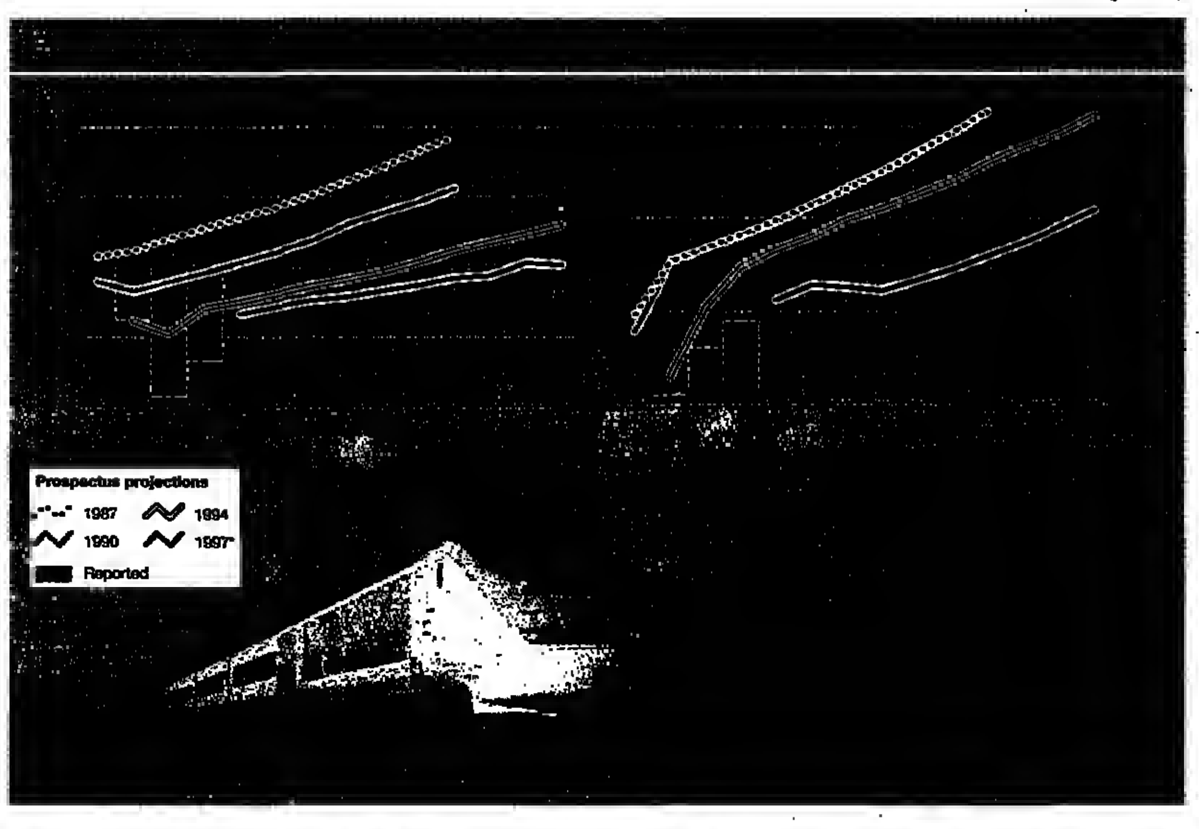
Charis Gresser and Andrew Jack on Eurotunnel's tortuous financial history

Eurotunnel's twin-bore route beneath the English Channel has been driven through shifting statistical sand.

The company's original prospectus, issued in 1987, forecast profits for 1997 of £350m ($570m). A decade on, and the tunnel built, the hoped-for profit has become a loss of £330.5m for 1997, according to last week's restructuring document.

Rarely has a company wrapped performance projections in as many "health warnings" as those provided by Eurotunnel in the document outlining the detailed £8.54bn financial restructuring plan on which shareholders will vote in July.

Speaking in Paris, Mr Patrick Ponsolle, the executive chairman, stressed that the figures – which suggest the payment of a first dividend between 2005 and 2009 – were not forecasts, and depended on a number of factors which could change considerably, such as an extension to the coocessioo period.



Projections which extended further than three years into the future were "more and more uncertain", be said, adding that he had been reluctant to even make public longer-term projections up to 2052. He only did so because they had beeo prepared for discussions with Eurotunnel's creditor banks. It was therefore "only reasonable" that shareholders should have them too.

The document sets ont how Eurotunnel plans to escape from the mire which has engulfed it and its investors. The total cost of the tunnel and associated rolling stock when it finally became operational a year late, was nearly twice the original estimate.

Incredible though it may now seem, Eurotunnel thougbt its first year of operations would sbow a modest £70m pre-tax profit. That was before the construction delays and cost overruns, the rolling-stock breakdowns, a fire in one tunnel last November, and the price war with the ferries. That projectioo also preceded the build-up of a crippling £8.54bn debt burden, which last year clocked up daily interest charges of more than £2m.

By 1994, when cost overruns had begun to surface, Eurotunnel was not anticipating a profit until 2002, altboogh it was hoping to carry 10.7m passengers on Eurostar trains by 1996. But the service, operated jointly by the national railways of Britain, France and Belgium, was bugged initially by technical faults and price competition with the airlines. In 1996, Eurostar carried 4.9m passengers.

This is but one unmet forecast among many. How mnch credibility do projections carry in the City?

Many analysts and investors are sceptical about the company's assumptions that it can push up both yields and traffic volumes. ABN Amro analyst Mr Peter Bergius, who attended Eurotunnel's presentation last week, said: "My initial reaction was: if you want to win market share and reduce ferry capacity, can you also put the prices up? I think the answer has to be no."

As for a dividend by 2006, Mr Gary Klesch, chairman of Klesch & Co, the debt specialists, reckons 2010 looks more likely. "Wa were projecting a dividend in 2006 in our model of a year ago, so that's before the fire, and with a strong wind behind us," he said.

Contributing to onlookers' gloom is an apparent slowdown in the growth of cross-channel traffic volume, and worries about the effect on Eurotunnel if duty free sales are abolished in 1999, as scheduled.

Some in the industry have argued that as many as 60 per cent of passengers who cross the Channel are day-trippers. Eurotunnel argues that without the lure of duty free, many will turn away from ferries towards Eurotunnel's car-carrying shuttle trains, or the Eurostar city-to-city service to save time.

But, say analysts, a number may also choose to go by aeroplane on the no-frills services that are springing up all over Europe. Or they may chose to stay at home.

Furthermore, analysts do not necessarily believe that the end of duty free means an end to the price war. "Travellers do not expect to pay a premium for Eurotunnel services," said one.

If Eurotunnel's projections prove wrong sgain, the planned restructuring may not he enough to secure the company's future. That is one reason why shareholders and brokers alike are approaching the projections in the listing particulars, and the proposed restructuring, with considerable scepticism.

Filofax confident despite 10% fall

By Christopher Price

Filofax yesterday said it had drawn a line under the problems which had led to a 10 per cent fall to £5.9m ($9.6m) in annual pre-tax profits.

Mr Robin Field, chief executive, said the group's personal organiser products had "not been exciting enough". This year 90 new versions would be launched. Turnover in the year to March 31 rose 2 per cent to £43.6m.

The UK business, accounting for half of sales, had been reorganised, following a profits warning a year ago, after tha group'e largest customer cut its stock. UK sales were up 13 per cent.

In Europe, which provides some 20 per cent of revenues, Scandinavia remained Filofax's largest market. However, sales declined 16 per cent at constant exchange rates to £5.12m, as en attempt to substitute Filofax products with the newer Microfile range in Sweden failed.

Germany saw the strongest sales growth, up 32 per cent to £3m. But sales in the US fell 8 per cent to £5.1m, despite a $500,000 investment in retail displays.

Mr Field said he was confident the changes would result in profitable growth in the current year. The shares closed up 5p at 141½p.

TECHNOLOGY

Quick-change aircraft that switch between goods and passengers are back in vogue, says **Richard Tomkins**

Precious cargoes

The words "package holiday" have taken on a new meaning eince United Parcel Service, the world's biggest package delivery company, started using its cargo aircraft to operate passenger charter flights a few weeks ago.

Each weekend, UPS is transporting thousands of American holidaymakers to their destinations using Boeing 727 cargo aircraft that spend their weekdays shuttling containers full of packages between domestic airports.

The idea conjures up visions of people sitting miserably among the packages inside the aircraft's bare and grimy belly. In fact, when carrying passengers, the aircraft are almost indistinguishable from ordinary ones, apart from the distinctive UPS livery on the exterior.

UPS's entry into the passenger business has been made possible by the development of so-called quick-change aircraft, or QCs, that can be transformed from cargo to passenger use and back again in as little as half an hour.

So far, UPS has five QCs, all of them converted from its fleet of 197 Boeing 727 cargo aircraft by Pemco World Air Services in Denver, Colorado. Pemco has also converted 15 Boeing 737s for France's L'Aeropostale and eight Boeing 737s for Germany's Lufthansa.

Pemco says passenger or cargo aircraft are suitable for conversion, bnt if a passenger aircraft is chosen, it will have to be fitted with a cargo door. It will also need reinforcement of the dividing "floor" which, in the passenger version, separates the passenger cabin from the baggage hold below.

In cargo aircraft, this dividing floor is covered with rollers so that containers, once loaded onto the upper deck through the cargo door, can be manoeuvred into place. QCs also require this feature because the passenger seats are fixed to pallets that are loaded on to the aircraft as though they were cargo, using exactly the same loading equipment.

Each pallet is the same width as the aircraft and carries 12 seats, neatly laid out in two rows of six with an aisle in the middle. The pallet itself, ready-carpeted, becomes the floor of the passenger cabin, and is simply rolled back down the inside of the aircraft before being bolted into place. Magazines, safety instructions and airsickness bags are already in the seat-back pockets.

Lavatories are permanently fixed in the aircraft because they are too much trouble to remove, but the galleys come in and out on pallets, like the seats. The overhead bins, complete with emergency oxygen and reading lights, are wheeled in on padded carts and fixed to the ceiling with hooks and brackets. They have to be in ths right order because they carry the seat numbers. Installing and removing the overhead bins is one of the more time-consuming parts of the operation because they are not ready-fixed to pallets. Pemco says Lufthansa and L'Aeropostale leave them permanently installed as a time-saving measure because their aircraft undergo two transformations every 24 hours, carrying passengers by day and cargo or mail by night. The drawback is that, when carrying cargo, these airlines bave to use smaller, specially-designed containers to fit the reduced space.

The labour costs of transforming the aircraft are small because most of the work is done by the same workers who load and unload cargo. The main consideration is the $2m to $3m outlay for initial conversion, and whether extra profit will justify the cost.

Quick-change aircraft are not a new phenomenon, but seem to be enjoying a revival. Fredrik Groth, Pemco's vice-president for commercial sales, saya one reason they did not catch on before is that they would sometimes get delayed by weather while carrying cargo at night, leaving them stranded at distant airports and unavailable to carry out passenger duties by day. "It caused more headaches than it created solutions, because it really cut down on the reliability of the passenger side," Groth says.

Improved avionics have diminished this problem by allowing aircraft to land and take off in almost any weather. Improvements to QC technology – for example, better fasteners that speed up the transformation – have also helped. And with companies all over the world facing ever-increasing pressures to "sweat" their assets around the clock, QC aircraft could form an increasing proportion of the worldwide airliner fleet.

Ground-based solution pops up

Marcus Gibson on banishing vehicles from aircraft service areas

It is a familiar sight at virtually all the world'a airports: an aircraft arrives to disgorge its passengers and is surrounded by a fleet of vehicles.

A large aircraft could require as many as 50 vehicles to service it. But there is a different way to service the aircraft – a set of modules which pop up from the tarmac to supply fuel, water, power, and air for starting jet engines, and handle toilet waste disposal and air conditioning.

Last June the first airport to be purpose-built with such a system opened – not in the US or Europe but at Zhuhai in southern China, close to Macao.

The fully automated units were built by Fabriksmontering i Trelleborg (FMT), a Swedish company which pioneered the concept of vehicle-free ramps – the immediate area around the aircraft when it is being serviced – in the early 1990s.

David Dowse, FMT's UK spokesman, says that by using the system "aircraft turnround times can be cut by up to 40 per cent, especially for high-frequency, short-haul and shuttle operations during peak morning and late afternoon periods."

When combined with an automatic push-back pilot, which dispenses with the need for tractors, more than 80 per cent of vehicles on the ramp – and human effort – can be eliminated, FMT says.

Safety is another factor. "It is safer to drive on the M25 than airside at Heathrow," says one ground services specialist. The international airline organisation IATA, which publishes figures on ramp accidents, says that in 1995 the global cost was more than $2bn.

Although Heathrow's police will not divulge the exact number of vehicles airside – which runs into thousands – airlines are increasingly fed up with aircraft skins being punctured in accidents on the ground – almost invariably caused by collisions with vehicles. Worldwide, one aircraft is damaged for every 1,700 departures.

By cutting the fleets of service vehicles, many of which are heavy duty, diesel-engined types, and by reducing the use of aircraft auxiliary power units, carbon emissions at most European airports could be cut by a quarter. "The average annual fuel consumption by an auxiliary power unit is 150,000 litres," says Dowse.

Best of all, he says, a computer monitors the progress of turnround operations and opens the way towards much tighter control on aircraft movements. "The system tells the ground crew, airline check-in staff, the pilot and above all the control tower, exactly what progress has been made."

Air traffic control can also keep track better of how many aircraft will be ready to move and, more importantly, when.

Airlines are increasingly fed up with aircraft skins being punctured in accidents on the ground

FMT admits that the cost of installing its units in existing infrastructure has discouraged European airports.

None of Europe's larger new airport projects – Oslo's Gardemoen airport and Heathrow's proposed T5 terminal, has opted for totally vehicle-free ramps. But industry sources say that both are likely to fit some fixed services.

Another hurdle for FMT is that everywhere in Europe airports are "unionised, politically strong, and employ hundreds of thousands of unskilled and semi-skilled workers either directly or indirectly," according to one airport manager.

But at Stockholm's Arlanda airport, the one place in Europe which has used FMT technology, the ramps at Terminal 2 have all been fitted with pop-up units.

The Scandinavian airline SAS says that as a result of faster turnround times one aircraft was taken off its Stockholm-Gothenburg shuttle without cutting the daily 18-flight schedule.

Hans-Ivar Glatz, Arlanda's technical manager, says: "Turnaround was cut from 35 minutes to under 25 . . . and below 20 if there was no catering or cleaning involved."

Unfortunately for SAS, the terminal proved to be too small for its domestic operations and it has since moved to an adjoining terminal. Now the advantages of the FMT system are being enjoyed by rivals Finnair and Transwede.

Arlanda's own study showed that it recouped the capital cost of fitting the units in two years, after labour and vehicle costs fell 25 per cent a year.

For passengers, however, this will leave one area unreformed: baggage handling, which remains the slowest and most backward point at any airport. "The truth is . . . no one has yet come up with a satisfactory way of speeding up baggage handling," says Dowse.

A home for good ideas

Britain's great band of unappreciated inventors now have somewhere sympathetic to take their ideas: AEA Technology, formerly the UK Atomic Energy Anthority and since last year a quoted science and technology services company.

This week Peter Watson, AEA's chief executive, will launch Innovation Plus, "an invitation to frustrated inventors to bring their ideas to us". It is aimed at lone inventors, academics and innovative small businesses.

AEA's first step will be to advise the inventor how to protect an invention with a patent before disclosing it. Then "every idea submitted will be subjected to a rigorous evaluation". Watson accepts that, in some cases, "we will have to explain politely why the idea does not obey the rules of physics".

For ideas thet are thought worthy of development, AEA will propose a "mutually beneficial agreement", which might include a royalty agreement or joint venture, as appropriate.

Although AEA's roots were in the nuclear industry, it is now so broadly based – covering fields from pharmaceuticals to batteries, engineering software to pollution monitoring – that it could evaluate almost any idea with a basis in science and technology.

Watson expects Innovation Plus to bring in "hundreds of ideas a year". It has set no limit on numbers or on the investment it will make in developing them.

"No company has a monopoly on good ideas, which can occur anywhere and from anyone," Watson says. "Our initiative aims to match good ideas to the management skills needed to exploit market opportunities. It is this matching of inventiveness to commercial skills that I view as the true challenge of innovation."

Clive Cookson

Contact: Alex Tomczyk, AEA, tel 01235 432013.

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LAW

TV restrictions unlawful

EUROPEAN COURT

A ministerial decree which prohibited the distribution of a US cartoon channel on the Brussels cable network because it would breach legislation on space reserved for programmes of European origin, was contrary to European law, the European Court of Justice ruled recently.

The ruling arose in the context of a dispute between the Belgian authorities and Turner International, which broadcasts TNT and the Cartoon Network from London via the Astra satellite.

The chennel could be received in the UK and in several western European countries including Belgium. Turner signed a contract with a Belgian cable company for distribution.

However, the Belgian communications minister banned transmission on the grounds that it would breach the directive on television broadcasting.

That provided that member states were to ensure thet, where practicable, broadcasters should reserve the majority of transmission time for European-origin programmes.

Turner applied for, and eventually secured, an interim injunction requiring the cable company to distribute the channel. However, criminal proceedings were brought against the cable company for infringing the ministerial decree.

The national court decided to refer various issues relating to the compatibility of the domestic legislation with the EU directive to the European Court.

The Belgian government argued before the Court that TNT and the Cartoon Network did not come within the terms of the directive because it did not fall under any member state's jurisdiction because of its non-European origin.

The Court reiterated that the concept of jurisdiction of a member state in the context of the directive had to be understood as including jurisdiction based on the broadcaster's connection to that member state's legal system.

This, the Court found, overlapped with the concept of establishment as set out in the Treaty of Rome. The origin of the programmes therefore had no bearing on the question of whether a given member state had jurisdiction over the programme's broadcaster.

The other issue before the Court was whether a member state could restrict retransmissions of broadcasts on its territory of programmes transmitted from other member states, where the programmes did not comply with the rules in the directive relating to origin.

The Court ruled, based on earlier judgments, that under the system established by the directive for allocating obligations between member states which transmit and those which receive broadcasts, it was solely for the transmitting state to ensure compliance with the directive. The receiving state was not anthorised to exercise its own control.

The Court relied on the preamble to the directive, which provided that all restrictions on freedom to provide broadcasting services covered by the directive had to be abolished. It also provided that it was sufficient that broadcasts complied with tha terms of the directive and the law of the EU state from which they were transmitted.

The grounds on which a receiving state could suspend transmission of incoming programmes were clearly defined and did not include origin.

The Court added that if an EU state considered another to be in breach of its obligations, it could bring infringement proceedings against that country. However, a member state was not entitled to adopt corrective or protective measures.

C-14/96: Paul Denuit, ECJ 6CH, May 29 1997.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Coutts to bolster Swiss banking

Coutts, bankers to Britain's royal family, has hired Werner Peyer, 42, a senior executive with Credit Suisse, to beef up its Swiss private banking business. Peyer, who was an executive director of Credit Suisse's Neue Aarganer Bank, a regional bank, will be based in Zurich as head of private banking of Coutts & Co AG which has a branch in Geneva and representative offices in Athens, Cannes and Vienna.

Switzerland is the world's biggest private banking centre and Contts, owned by Britain's NatWest Group, is one of the best brand names in private banking. However, Coutts has had some difficulty translating its success in tapping the British private banking market to the international arena.

In 1988 it hired Jean-Pierre Cuoni, a senior Citibank executive, to head its international private banking operations out of Zurich. Cuoni left two and a half years ago after NatWest decided to tighten its management grip on Coutts and run its worldwide private banking business out of London.

Hugh Matthews, 53, a former senior partner of accountants KPMG in Switzerland and chief operating officer of Coutts Group in London, transferred to Zurich late last year as chief executive of Coutts AG following the death of Renee Zund. Matthews heads Contts' continental European region and Peyer's arrival will allow him to focus more on strategic issues.

Coutts's decision to concentrate the bulk of its Swiss private banking activities in Zurich rather than in Geneva, where it used to have an independent operation, has caused some management tensions. Albert Gowen, former manager of Coutts' Geneva branch, left some months ago and has joined Bank Sarasin as chief executive of its new Geneva operation.

William Hall, Zurich

Fujitsu chairman given honorary post

Takuma Yamamoto, (71) chairman of Fujitsu, will step down from his post this summer to become chairman emeritus.

Yamamoto, who was a member of the team that developed Japan's first commercial computers, is credited with transforming Fujitsu from a manufacturer of telecoms equipment to Japan's largest computer manufacturer with a global presence in the information technology industry.

During his years as an engineer at Fujitsu, Yamamoto, who joined the company in 1949, helped develop the mainframe computers thet were to become the pillar of the company's growth. By 1979, Fujitsu had surpassed IBM in computer sales in Japan, the first time a domestic company beat Big Blue. Compnters now make up two-thirds of Fujitsu's business.

Yamamoto also helped create the mainframe business of Amdahl, the US company which is an affiliate of Fujitsu. During his term as president, Fujitsu also acquired ICL, the UK computer company.

Michiyo Nakamoto, Tokyo

Askew to head Virginia Power

Norman Askew, the chief executive of East Midlands Electricity, one of the UK's regional electricity companies, was yesterday named president and chief executive of Virginia Power, the principle subsidiary of Dominion Resources, the US utility which acquired East Midlands for £1.3bn ($2.2bn) last December.

Dominion is the first of seven US utilities which have acquired UK electricity companies to appoint a British executive to such a senior operational role in the US.

Thomas E Capps, chairman of Dominion Resources, said Askew, 54, was a natural choice to lead Virginia Power in the rapidly emerging competitive environment that was transforming the electric utility industry in the US.

"Because the UK is much farther down the road to deregulation in the electric ntility industry, Norman brings the experience, reputation and intellectual capital needed to maintain and enhance Virginia Power's strong competitive advantages," he said.

Simon Holberton, London

Shell names new head in Nigeria

Ron van den Berg is to succeed Brian Anderson as head of the Shell Petroleum Development Company in Nigeria. The position is one of the most onerous and politically sensitive senior posts in the Royal Dutch/Shell group.

The company has been heavily criticised for its environmental record in the Niger Delta, where it prodnces about half of Nigeria's total oil output.

Shell also came under fire from critics in 1995 for not doing enough to persuade Nigeria's military rulers to stay the execution of Ken Saro Wiwa and other minority rights activists from the Ogoni region in the Niger Delta.

Van den Berg, who is currently head of Shell's operations in Brunei, is expected to take up his post in July. The main problem that awaits him in Nigeria is that the central government has generally ignored the needs of the oil producing regions for many years. Local activists in the Niger Delta have vented their anger at the oil company, which they see as a surrogate government.

His most delicate task is likely to be the re-establishment of relations between the company and the Ogoni people. Shell was forced to abandon production in the area in 1993 because of a deteriorating security situation.

Robert Corzine, London

ON THE MOVE

■ ABN AMRO BANK has appointed John Reynolds chairman of its corporate finance activities in Europe. He joins from Schroders where he was a senior director of its corporate finance division responsible for key relationships in the UK.

■ Rene Buenaventura has been appointed president of PCI LEASING & FINANCE, the leasing unit of universal bank Philippine Commercial International Bank. He was previously executive vice-president of PCI Leasing.

■ MGM TELECOMMUNICATIONS GROUP, a unit of Metro-Goldwyn-Mayer of the US, has appointed James Hurlock vice-president of sales planning and business development in the Asia-Pacific region.

■ HONGKONG AND SHANGHAI BANKING has appointed Jan Lee, as chief economist, with effect from July 1. He is currently managing director of Nava Securities in Singapore.

■ The INSURANCE BUREAU OF CANADA has appointed Jean-Denis Talon as chairman of the board. He is chairman and president of AXA Canada, the country's fourth largest property and casualty insurer.

■ Gudvin Tofte, former chief executive of ALUMINIUM BAHRAIN, has been appointed as senior adviser at Bahrain's Oil and Industry Ministry.

■ Peter Sephton has been appointed managing director of SETON UK, a subsidiary of the Milwaukee based W. H. Brady Corporation. Prior to taking up this appointment Sephton was managing director of a Morgan Crucible subsidiary.

■ Jean Hervé Jenn has been promoted to partner in charge of operations for the business transformation unit of KPMG in the UK. He was previously senior vice-president of Gemini Consulting, based in Paris.

■ The RESERVE BANK OF NEW ZEALAND has appointed economist Adrian Orr to the position of chief manager economics, from June 16. He is currently chief economist for the National Bank of New Zealand and has previously worked as chief analyst for the budget management branch of the New Zealand Treasury.

■ UNION BANK OF SWITZERLAND has appointed Roger Gray, 39, formerly head of NM Rothschild's institutional asset management business in London, as head of UBS Asset Management Switzerland. He succeeds Bernd Borgmeier.

■ FIDELITY INVESTMENTS has announced that Stuart Leckie will step down as chairman of Fidelity Asia-Pacific to return to Britain in 1998.

■ Michel Clair has been appointed to the position of president and chief executive of HYDRO-QUEBEC INTERNATIONAL.

■ ASAHI CHEMICAL INDUSTRY has appointed Kazumoto Yamamoto, a vice president, to become its next president. The post will be officially approved at a board meeting following a shareholders meeting on June 27.

■ Jacques Bitton, 37, has been appointed director in charge of Societe Generale's mergers and acquisitions department. He joins from Banexi.

■ David Hentschel will resign as president and chief executive of CANADIAN OCCIDENTAL PETROLEUM, from June 1. Hentschel is returning to the US to assume the position of chairman and chief executive of Occidental Oil and Gas.

■ ANGLO AMERICAN COAL has appointed James Campbell as chairman. He succeeds Dave Rankin who is retiring after 46 years with the Anglo American Group.

■ FEDERATED DEPARTMENT STORES has appointed a new executive to replace Allen Questrom, the retiring chairman and chief executive. He is James Zimmerman, 52, who has been president and chief operating officer since 1988.

■ CITIBANK in Australia has appointed Peter Clay as global markets strategist. Clay is a former financial markets economist at the Commonwealth Bank of Australia.

■ MSB INTERNATIONAL, the IT contract recruitment specialist, has appointed Mike Harrison, 52, as a non-executive director with effect from June 1. Harrison was until recently with Informix, a supplier of relational database management systems.

■ TELEFONICA DE ESPANA has appointed Javier Revuelta as the company's new managing director (chief operating officer).

■ MERRILL LYNCH has appointed John Qua senior vice-president of Business Financial Services, which provides financial services to small and mid-sized businesses. The promotion continues the re-organisation of Private Client Group, of which Business Financial Services is a part.

■ Meyer Khan, chairman of South African Breweries, the country's leading brewer, has been appointed chief executive of the South African Police Service with effect from August 1.

■ Gideon Lahav is resigning from his post as chairman of ISRAEL DISCOUNT BANK after five years. He has been with the bank for 18 years.

■ MALAYSIAN INTERNATIONAL MERCHANT BANKERS has appointed Tan Sri Dr Wan Abdul Rahman Wan Ya'acob chairman, replacing the late Tan Sri Zain Azraai Zainal Abidin.

■ SUMITOMO BANK is to appoint vice-president Yoshifumi Nishikawa, 58, as president, replacing Toshio Morikawa in late June. He will become executive chairman while the former incumbent Sotoo Tatsumi will become adviser to the bank.

■ François Laplace has been appointed by BANQUE PARIBAS as head of worldwide project and export finance activities grouped for the first time in a new single project and export finance unit.

■ Dr Ernest H Drew, a member of the eight-person senior executive management team at Hoechst AG is to become chief executive of WESTINGHOUSE'S' Industries and Technology group from July 1. Drew will become the president and chief executive officer of the Westinghouse Electric Company, the corporation that will be formed from the planned spin-off of the industrial businesses this antumn.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

INTERNATIONAL CAPITAL MARKETS

European sector stages comeback

GOVERNMENT BONDS

By Michael Lindemann in London and Jane Martinson in New York

European bond markete staged a comeback yesterday after the French election but analysts warned that markets were likely to remain volatile because of uncertainty about the proposed European single currency.

"The most interesting thing is the resilience of the market," said Mr Philip Tyson, French OATs analyst at HSBC. "But so much could happen over the next month or so that I think we are going to go lower before we go higher."

Key dates analysts highlighted were an appearance by Mr Hans Tietmeyer, president of the Bundesbank, before the finance committee of the German parliament on June 5 and the Amsterdam summit of EU heads of states on June 13-15.

FRENCH OATs were the focus of most attention. The June notional future staged a strong comeback in the afternoon, ending the day at 128.52, up 0.02.

Ms Natalie Fillet, bond analyst at Paribas in Paris, said the rebound had been driven by the future. "We saw very little flows in the cash market. The domestic investors remained on the sidelines and basically what we are seeing is a wait and see feeling."

The spread of bunds over OATs narrowed from 15 to 10 basis points, having touched a low of 3 points.

SPANISH BONOS were the star performers, ending the day at 115.19, just below an intra-day high and up from 114.82 at Friday's close.

GERMAN BUNDS benefitted from the rebound but analyets said they could come under pressure in coming weeks. The June future settled at 100.77, up 0.08 on the day. "Bunds were out of the spotlight, so the fact that they held up is no guarantee that they won't take a blow in days to come," said Ms Mary Bloem, bond analyst at Paribas.

ECU BONDS were also hit by uncertainty about Emu. The benchmark bond closed down 0.25, despite the recovery in many of its constituent currencies.

Ms Bloem said in theory. Ecu bonds should trade in line with the underlying currencies. "In practice, it's a separate asset class and is more sensitive to Emu news. It also lacks a domestic investor base eo when there's uncertainty the investors turn to their own national markets and Ecu volumes dry up."

US TREASURY prices took fright following a report on manufacturing that raised expectations of higher interest rates. At mid-session, the benchmark 30-year bond was $\frac{1}{16}$ lower at 96¾, yielding 6.918 per cent.

Prices had been rising before the release of the National Association of Purchasing Management's survey, which showed faster than expected growth in the manufacturing sector in May.

The manufacturing indicator rose to 57.1 per cent, well above market consensus estimates of 54 per cent. "This is sending a signal that maybe investors can't take it for granted that the second quarter is going to be soft," said Mr David Hensley, economist at Salomon Brothers.

However, a "silver lining" was provided by weak prices paid. Some traders also pointed out that the index was a lagging indicator of consumer demand seen earlier in the year.

Mr Hensley described the NAPM report as the first of this week's two "book-ends" which can have a strong effect on prices. Unemployment figures to be released on Friday also have the potential to "really swing the market", he said.

Treasury prices had risen as high as 96¾ in early trading as personal income data eased inflation fears. They also appeared to be benefiting from some overseas buying on the back of fears about the political situation in France and Germany.

Bank of England appointments positive for gilts

The appointment of four members of the Bank of England's new monetary policy council was seen as positive for UK gilts yesterday, Samer Iskandar writes. The news helped prices recover earlier losses after the release of a stronger than expected purchasing managers' index. The new orders indicator reached a six-month high in May at 57.4, up from 55.9 in April.

After an early drop to a low of 112⅞, the June long gilt future settled at 112$\frac{21}{32}$, near the day's high of 112$\frac{24}{32}$. In the cash market, the 10-year yield spread of gilts over German bunds was unchanged at 139 basis points.

"The nomination of academics to the monetary policy council was seen as removing a 'political event' risk," said Mr Andrew Roberts, of UBS in London. "[The chancellor] cannot be accused of having his judgment clouded by politics." The strength of sterling against the D-Mark was also seen as positive. Mr Roberts said it had benefited from a safe-haven status. "The gilt market is showing benign ignorance to European events," he said, referring to political uncertainty in France over the socialists' return to power.

Rise in demand for longer-dated deals

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

Primary market activity was dominated by a rise in demand for longer-dated dollar bonds as investors sought to lock-in higher yields.

The success of TOYOTA'S first issue of 10-year eurodollar bonds inspired others, with Ford preparing a similar deal. Some borrowers were also rumoured to be eyeing the 10-year sector.

"The market is entirely driven by demand," said a eyndicate manager in London. "And demand from international investors is now for longer paper."

Credit Suisse First Boston, which led the Toyota issue jointly, with Merrill Lynch, said placement was helped by the yield offered to investors of 23 basis points over Treasuries. The long maturity, however, targeted the issue at institutional investors, away from Toyota's traditional retail following.

In these conditions, "liquidity was a key issue in placing the paper". Demand was strongest from Asia, the UK and Switzerland.

MIDLAND BANK issued a £150m floating-rate subordinated bond underwritten by Hong Kong and Shanghai *Banking Corporation*. The 10-year note, callable after five years, was priced to offer investors a margin of 23 basis points over Libor, the interest rate at which London banks lend to each other. This margin steps up to 70 basis points over Libor after five years, if the borrower decides against redeeming the bonds.

Officials at banks involved in the transaction said Midland priced the bond to trade as a five-year, in contrast with recent issues of subordinated notes – including deals from Barclays and Halifax. Bankers also said the paper attracted some demand from UK and European corporate buyers, as well as the more customary financial and fund management communities.

"For subordinated paper, a margin of 23 basis points is a good accomplishment from a borrower's point of view," said one official. HSBC said it did not buy any paper back after launch.

TOTAL, the French oil company, followed up its recent dollar issue with a DM250m offering targeted primarily at retail investors. The deal was priced to yield 20 basis points over the returns of equivalent six-year bunds.

In spite of quiet trading yesterday, traders expect a lively week, with a DM300m to DM500m offering by Romania today or later in the week – its debut in D-Marks – and a sterling offering from Argentina. The Argentine issue, which will be lead-managed by *HSBC* and UBS, will extend the country's sterling yield curve from five to 10 years.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Toyota Motor Credit Corp	1bn	7.00	100.186R	Jun 2007	0.325R	+23(6%May07)	CSFB/Merrill Lynch Intl
Svenska Handelsbanken‡	300	(a)	99.902R	Jun 2002	0.175R	-	Lehman Brothers/UBS
D-MARKS							
Total(l)	250	5.25	98.88R	Dec 2003	0.325R	+20(6%Sep03)	Rabobank Deutschland
STERLING							
Midland Bank(b)‡	150	(b1)	99.873R	Jun 2007	0.35R	-	HSBC Markets

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: Fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor flat. b) Callable from Jun 02 at par. b1) 3-mth Libor +20bp to Jun 02, then +70bp. l) Long 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Pakistan plans more fund-raising

Pakistan is seeking to raise between $200m and $500m later this year after the success of its $300m floating-rate eurobond last month. Pakistani officials said the planned issue, which is expected to be either a eurobond or a syndicated loan, would be underpinned by the estimated $1.4bn in annual overseas worker remittances.

"The debt would not be securitised by the remittances but the flows would be used as a kind of security on the loan. The funds would probably be diverted to an escrow account at the central bank to underpin Pakistan's foreign exchange credibility," said a banker in London.

Officials said the funds raised would be used partially to offset a foreign exchange squeeze in the second half of this year, when debt repayments of almost $3bn are due.

Plans to return to the eurobond market coincide with efforts to revive relations with the International Monetary Fund. Pakistan is seeking a new three-year loan agreement, which is not likely to be finalised before October. IMF is vital to improve Pakistan's financial credibility when seeking commercial loans from banks or raising cheaper debt on the international capital markets. A stand-by loan agreement with the IMF collapsed in March when Pakistan failed to meet performance criteria.

The securitisation of foreign exchange remittances is considered a relatively low risk investment, however. Pakistan receives an average of about $1.4bn in annual remittances from its nationals worldwide, which is adequate to cover the amount to be raised. Some bankers say a deal may be struck at up to 150 basis points less than the 375 to 425 basis points over Libor offered by Pakistan on its euro-FRN last month. Mr Zakir Mehmood, country general manager, Banque Indosuez, said yesterday: "The instrument to be offered is not yet decided. It could be a straightforward financing or it may be a bond." He said the government was keen to go ahead with the deal but was still evaluating the details.

Farhan Bokhari, Karachi and Edward Luce, London

Strippable bunds from July

The Bundesbank yesterday gave details of the first government bonds on which investors will be allowed to engage in "stripping", by which principal and interest are traded separately. This will be permitted from July, when the next 30-year bund is issued. From that date, stripping will also be possible on the 30-year bund issued in 1994 with a volume of DM20bn and a 6.25 per cent coupon; the first tranche of the 10-year 6 per cent loan of 1997, totalling DM30bn; and the second tranche of the same loan, of which DM15bn has so far been issued.

Stripping is the latest move aimed at making the German capital market more competitive ahead of European monetary union. The practice is already followed in other markets such as the UK and France. The Bundesbank and the finance ministry said a year ago stripping would be permitted in 1997, when they also announced plans to issue short-term government bills.

Andrew Fisher, Frankfurt

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	95.6321	+0.390	7.40	7.61	7.83
Austria		5.750	04/07	98.6600	+0.070	5.93	5.91	5.86
Belgium		6.250	03/07	101.6900	+0.120	6.01	6.01	5.98
Canada *		7.250	06/07	105.3000	-0.100	6.52	6.51	6.73
Denmark		6.000	03/06	110.5000	+0.130	6.39	6.37	6.55
France	BTAN	4.750	03/02	98.6558	-0.040	4.83	4.85	4.83
	OAT	5.500	04/07	97.4400	-0.160	5.85	5.84	5.79
Germany Bund		6.000	07/07	100.5000	+0.090	5.93	5.93	5.83
Ireland		8.000	08/06	0.0000	-	0.00	6.72	6.74
Italy		6.750	02/07	97.3000	+0.760	7.14†	7.24	7.49
Japan	No 145	5.500	03/02	116.0147	-0.050	1.86	1.82	1.44
	No 182	3.000	09/05	103.1166	-0.070	2.55	2.58	2.15
Netherlands		5.750	02/07	99.6900	+0.220	5.79	5.81	5.75
Portugal		9.500	02/06	118.5000	-1.100	6.63	6.63	6.77
Spain		7.350	03/07	104.9000	+0.370	6.64	6.63	6.87
Sweden		6.000	08/07	107.0767	+0.440	7.00	7.10	7.26
UK Gilts		7.000	06/02	99-26	+3/32	7.05	7.06	7.27
		7.250	12/07	100-14	+6/32	7.19	7.20	7.57
		9.000	10/08	113-12	+6/32	7.25	7.27	7.66
US Treasury *		6.625	05/07	99-19	+2/32	6.68	6.74	6.85
		6.625	02/27	96-06	+5/32	6.92	6.99	7.06
ECU (French Govt)		7.000	04/06	105.7300	-0.250	6.14	6.17	6.22

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	•	Two year	6.20
Prime rate	8½	Two month	•	Three year	6.34
Broker loan rate	7¾	Three month	4.93	Five year	6.49
Fed.funds	5$\frac{13}{16}$	Six month	5.40	10-year	6.63
Fed.funds at intervention	-	One year	5.75	30-year	6.89

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.00	128.52	+0.02	126.78	127.98	151,985	173,478
Sep	126.40	126.94	+0.02	127.16	126.40	13,211	43,349
Dec	95.62	96.36	+0.02	95.62	95.62	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Jul	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Sep
125	2.23	-	2.64	0.32	0.60	0.74
126	1.48	-	1.97	0.56	0.90	1.06
127	0.85	1.19	1.36	0.93	1.26	1.44
128	0.42	0.72	0.86	1.50	-	1.93
129	0.17	0.41	0.51	2.24	-	2.57

Est. vol. total, Calls 35,547 Puts 33,881. Previous day's open int., Calls 86,105 Puts 114,108.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.51	100.77	+0.08	100.92	100.49	193380	211173
Sep	99.47	99.73	+0.08	99.86	99.45	63230	65635

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9950	0.72	1.01	1.21	1.21	0.49	0.78	0.98	1.98
10000	0.46	0.75	0.94	1.01	0.73	1.02	1.21	2.28
10050	0.28	0.54	0.72	0.84	1.05	1.31	1.49	2.61

Est. vol. total, Calls 16651 Puts 19857. Previous day's open int., Calls 135964 Puts 136556

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	128.60	129.16	+0.28	129.30	128.23	71287	68583
Sep	129.05	129.75	+0.35	129.85	128.75	18593	43074

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
12950	2.16	0	1.91	26.42
13000	1.89	0	2.14	26.92
13050	1.64		2.39	

Est. vol. total, Calls 2131 Puts 2091. Previous day's open int., Calls 50345 Puts 35355

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	114.38	115.19	+0.36	115.20	114.35	116,069	91,036
Sep	113.60	114.40	+0.38	114.34	113.60	2,471	14,155

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	112-20	112-21	+0-01	112-24	112-14	22393	90983
Sep	112-27	112-28	-	112-31	112-21	27233	132856

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
112	1-20	1-48	2-04	2-30	0-28	0-54	1-12	1-62
113	0-46	1-11	1-32	1-63	0-54	1-19	1-40	2-31
114	0-22	0-48	1-02	1-36	1-30	1-56	2-10	3-04

Est. vol. total, Calls 986 Puts 1010. Previous day's open int., Calls 32005 Puts 20361

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	94.20	94.46	-0.24	94.70	94.19	418	5,762
Sep	-	94.08	-0.24	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	110-03	110-14	+0-13	110-14	110-01	105,839	291,591
Sep	109-22	110-01	+0-13	110-01	109-20	437,380	217,639
Dec	109-11	109-19	+0-12	109-19	109-11	1,164	26,154

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	123.95	-	-	123.99	123.86	2556	n/a
Sep	122.50	-	-	122.52	122.41	2228	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Jun 2	Day's change %	Fri May 30	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.50	0.00	119.50	1.91	5.38
2 5-15 years (21)	150.87	0.07	150.77	1.47	5.93
3 Over 15 years (6)	177.07	0.09	176.91	4.89	5.02
4 Irredeemables (5)	202.80	0.52	201.75	1.28	7.10
5 All stocks (51)	145.51	0.05	145.43	2.22	5.66
Index-linked					
6 Up to 5 years (2)	204.17	0.01	204.14	1.03	3.03
7 Over 5 years (10)	195.66	0.07	195.52	1.38	2.86
8 All stocks (12)	195.49	0.06	195.37	1.34	2.86

UK Indices

	Low coupon yield Jun 2	May 30	Yr. ago	Medium coupon yield Jun 2	May 30	Yr. ago	High coupon yield Jun 2	May 30	Yr. ago
5 yrs	7.06	7.07	7.62	7.13	7.13	7.86	7.19	7.17	7.76
15 yrs	7.27	7.29	8.34	7.27	7.27	8.36	7.23	7.24	6.44
20 yrs	7.32	7.34	8.41	7.27	7.28	8.41	7.23	7.24	8.48
Irred.†	7.41	7.45	6.43						

	Inflation 5% Jun 2	May 30	Yr. ago	Inflation 10% Jun 2	May 30	Yr. ago
Up to 5 yrs	3.56	3.56	2.97	2.92	2.92	1.83
Over 5 yrs	3.68	3.66	3.77	3.47	3.48	3.58

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jun 2	May 30	May 29	May 28	May 27	Yr ago	High*	Low*
Govt. Secs. (UK)	96.10	96.09	95.74	95.82	95.87	92.02	97.51	93.31
Fixed interest	120.12	120.00	120.02	119.80	120.35	111.55	121.55	115.32

Gilt Edged Activity Indices

	May 30	May 29	May 28	May 27	May 23
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		6.99	6.30	100$\frac{3}{32}$	—	101$\frac{3}{32}$	100$\frac{3}{32}$
Treas 8¾pc 1997‡‡		8.71	6.40	100$\frac{15}{32}$	-$\frac{1}{32}$	107$\frac{13}{32}$	100$\frac{15}{32}$
Exch 15pc 1997		14.52	6.36	103$\frac{5}{32}$	-$\frac{1}{32}$	111$\frac{15}{32}$	102$\frac{31}{32}$
Exch 9¾pc 1998		9.56	6.49	101$\frac{31}{32}$	-$\frac{1}{32}$	105$\frac{5}{32}$	100$\frac{3}{32}$
Treas 7¼pc 1998‡‡		7.22	6.64	100$\frac{7}{32}$	—	109[illegible]	102[illegible]
[illegible]							

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 7¾pc 2006‡‡		7.49	7.23	103$\frac{7}{32}$	+$\frac{7}{32}$	107¼	96$\frac{15}{32}$
Treas 8pc 2002-6‡‡		7.78	7.20	102$\frac{29}{32}$	+$\frac{1}{32}$	104$\frac{7}{32}$	99$\frac{5}{8}$
Treas 11¾pc 2003-7		9.73	7.16	120¾	-$\frac{1}{32}$	123$\frac{3}{32}$	115⅛
Treas 8½pc 2007‡‡		7.80	7.23	109$\frac{1}{32}$	+$\frac{1}{32}$	111$\frac{1}{32}$	101$\frac{15}{32}$
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
	(b)						
4⅝pc '98‡‡	(135.6)	-	2.68	114$\frac{1}{32}$	—	114⅞	113$\frac{1}{32}$
2½pc '01	(78.3)	2.91	3.55	186¼	—	187$\frac{13}{32}$	178$\frac{13}{32}$
2½pc '03	(78.8)	3.14	3.60	181$\frac{13}{32}$	-$\frac{1}{32}$	184$\frac{5}{32}$	173⅞
4⅜pc '04‡‡	(135.6)	3.19	3.59	117$\frac{13}{32}$	—	120$\frac{3}{32}$	113$\frac{13}{32}$
[illegible]							

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on June 2

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99	99¼	+⅛	6.82
ABN Amro Bank 7¼ 00	1000	100¼	100⅜	+⅛	7.34
African Dev Bk 7⅞ 23	500	98⅛	98⅝	+¼	7.54
Alberta Province 7⅝ 99	1000	101⅝	101¾		6.35
Argentina 11⅜ 17	2000	109⅝	110¼	+½	10.49
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Spain 7¼ 03	4000	103¾	103⅞		5.24
Volkswagen Intl Fin 7 03	1000	107¼	107½	-⅛	5.54
World Bank 5⅞ 03	3000	103⅜	103½	+⅛	5.24
World Bank 6⅛ 02	3000	105⅛	105¼	+⅛	5.00
World Bank 7⅛ 00	3000	108⅞	100		5.69
[illegible]					

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 9 03 £	1000	101⅞	102	+⅛	7.58
British Land 8⅞ 23 £	150	103½	103⅞	+⅛	8.72
Denmark 6¾ 99 £	800	99⅝	99¾	+⅛	7.04
Depfa Finance 7⅞ 00 £	500	97⅞	97⅝	+⅛	7.64
EIB 6 03 £	1000	103	103⅛	+⅛	7.36
Finland 7 00 £	500	99½	99¾		7.15
[illegible]					

CURRENCIES AND MONEY

D-Mark undercut by French result

MARKETS REPORT

By Richard Adams

Germany's D-Mark was caught in the crossfire of the election result in France that ousted the conservative government there, and suffered a bloodbath on foreign exchange markets yesterday.

The dispute between Germany's government and the Bundesbank over Bonn's plans to revalue its gold reserves to help qualify for European monetary union boosted the US dollar and sterling against the D-Mark, as analysts anticipated a weaker single currency.

The German currency shed nearly three pfennigs against sterling to end at DM2.81, and lost two pfennigs against the dollar to be worth DM1.72.

The French franc had a roller coaster ride on the foreign exchange markets, falling heavily before recovering in afternoon trading in Europe. But despite the best efforts of the French central bank, which intervened repeatedly, the franc suffered heavily against the US dollar, tumbling by six centimes. The dollar strengthened from FFr5.76 on Friday's close to FFr5.82 yesterday.

Even the Swedish krona put its öre in – or two, to be precise. The krona strengthened from SKr4.53 to SKr4.51 against the D-Mark, as investors scurried for safe havens. The Irish punt was another beneficiary, up a pfennig and a half to DM2.59 on the back of sterling and despite its almost certain participation in a single currency.

■ The French election result and the on-going row over the German gold reserves has fuelled market fears of a weak and wide European single currency.

Repeated intervention by the Banque de France limited the franc to weakening to FFr3.3860 against the D-Mark, and it later recovered strongly to FFr3.373 by the close of trading in London – half a centime above its close last week.

But the franc suffered as heavily as the D-Mark against the dollar and sterling. The pound gained eight centime to FFr9.50.

Mr Jeremy Hawkins, chief economist at Bank of America, said: "It's left an air of uncertainty over the European markets. But the implicit belief is that Emu is going to begin on time, aside from the French election and the German problems."

The bottom line, Mr Hawkins said, was that Emu was still likely to start on time, and that was good news for convergence trades. The Italian lira, for example, rose by almost eight lira – from L991.9 to L984 – against the D-Mark.

Mr Hawkins said that the recent events in Europe had been a "double whammy for the prospective new currency". But events were also good for the dollar and probably the peripheral currencies and the franc, he said.

■ Sterling gained strongly on Europe's Emu wobbles and the announcement by Mr Gordon Brown, the chancellor, of the four new members of the Monetary Policy Committee (MPC), some of whom will sit in on the MPCs first meeting on Thursday to decide base rates.

The four outside appointments are Professor Charles Goodhart, from the London School of Economics; Dr DeAnne Julius, chief economist at British Airways; Sir Alan Budd, chief economic adviser to the Treasury; and Professor Wilhelm Buiter, economics professor at Cambridge University.

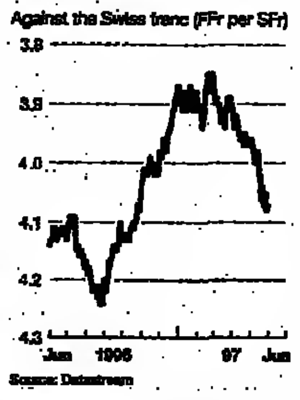
Market reactions in London to the appointments were positive. Mr Nick Shamim, currency strategist at ANZ Bank in London, said: "The names are very credible – they are not tied to any political parties. Sterling has been very bullish on it, and it has increased the credibility of the Bank of England."

Mr Hawkins said the names had reassured the market. "They have settled on a number of well known, well respected people, and haven't jeopardised the market's belief in the government's motives," he said.

Mr Shamim said the pound could continue to do well against the D-Mark before the MPC meeting, and could gain two more pfennigs to above DM2.83. Sterling could go as high as DM2.8735, which Mr Shamim points out is a 61.8 per cent Fibonacci retracement from its peak of DM3.3110 in February 1989 to its low of DM2.169 in November 1995.

French franc

Against the Swiss franc (FFr per SFr)



Source: Datastream

■ **Pound in New York**

Jun 2	Latest	Prev. close
£ spot	1.6340	1.6405
1 mth	1.6329	1.6395
3 mth	1.6307	1.6372
1 yr	1.6224	1.6290

■ **OTHER CURRENCIES**

Jun 2	£	$
Czech Rp	53.9753 - 54.1046	33.0630 - 33.1280
Hungary	300.821 - 301.031	184.270 - 184.320
Iran	4899.60 - 4897.50	3000.00 - 3000.00
Kuwait	0.4938 - 0.4942	0.3025 - 0.3026
Poland	5.2477 - 5.2581	3.2145 - 3.2195
Russia	9447.28 - 9454.58	5787.00 - 5789.00
U.A.E.	5.9937 - 5.9996	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.8389	+0.2	298 - 480	19.8741	19.6778	19.7854	3.2	19.6974	2.9	-	-	102.8
Belgium	(BFr)	58.1785	+0.5717	578 - 991	58.3400	57.6290	58.0235	3.2	57.7085	3.2	56.2785	3.3	102.6
Denmark	(DKr)	10.7341	-0.1145	301 - 380	10.7548	10.6488	10.7086	2.9	10.6561	2.9	10.4346	2.6	105.4
Finland	(FM)	8.4880	+0.0795	821 - 939	8.5120	8.4140	-	-	-	-	-	-	82.0
France	(FFr)	9.5081	+0.0823	052 - 109	9.5281	9.4357	9.4839	3.1	9.436	3.0	9.2134	5.1	105.4
Germany	(DM)	2.8186	+0.0283	175 - 197	2.8251	2.7982	2.811	3.2	2.795	3.3	2.7247	3.3	103.9
Greece	(Dr)	449.499	+3.689	166 - 832	450.162	446.799	-	-	-	-	-	-	64.8
Ireland	(I£)	1.0882	-0.0047	872 - 892	1.0893	1.0816	1.0883	-0.1	1.0873	0.3	1.0803	0.7	98.3
Italy	(L)	2773.56	+5.77	215 - 497	2793.05	2765.37	2775.46	-0.8	2776.86	-0.5	2762.96	0.4	76.2
Luxembourg	(LFr)	58.1785	+0.5717	578 - 991	58.3400	57.6290	58.0235	3.2	57.7085	3.2	56.2785	3.3	102.6
Netherlands	(Fl)	3.1718	+0.0327	706 - 730	3.1770	3.1489	3.1633	3.2	3.1454	3.3	3.0672	3.3	102.3
Norway	(NKr)	11.6930	+0.0549	864 - 996	11.7260	11.6311	11.6625	3.1	11.603	3.1	11.357	2.9	98.0
Portugal	(Es)	284.377	+2.052	235 - 520	285.390	282.814	284.227	0.6	283.852	0.7	-	-	93.5
Spain	(Pta)	238.184	+2.117	051 - 317	238.630	237.020	238.024	0.8	237.584	1.0	234.829	1.4	77.4
Sweden	(SKr)	12.7202	+0.0769	113 - 290	12.7566	12.6379	12.6987	2.0	12.6507	2.2	12.4567	2.1	83.4
Switzerland	(SFr)	2.3352	+0.0208	338 - 365	2.3444	2.3160	2.3258	4.8	2.3067	4.9	2.2228	4.8	106.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.8
Ecu	-	1.4472	+0.0138	464 - 479	1.4484	1.4349	1.4446	2.2	1.4386	2.4	1.4115	2.5	-
SDR†	-	1.177835	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6326	-0.0026	322 - 330	1.6417	1.6280	-	-	-	-	-	-	-
Brazil	(R$)	1.7481	-0.0048	478 - 485	1.7578	1.7449	-	-	-	-	-	-	-
Canada	(C$)	2.2487	-0.0079	478 - 496	2.2606	2.2419	2.2424	3.3	2.231	3.1	2.1892	2.8	84.8
Mexico	(New Peso)	12.9306	-0.02	196 - 415	13.0053	12.8989	-	-	-	-	-	-	-
USA	($)	1.6329	-0.0031	325 - 332	1.6425	1.6298	1.6317	0.9	1.6296	0.8	1.6211	0.7	103.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1518	+0.0027	506 - 529	2.1606	2.1420	2.1512	0.3	2.1493	0.5	2.1393	0.6	93.6
Hong Kong	(HK$)	12.6453	-0.0313	418 - 488	12.7261	12.6223	12.6394	0.6	12.6288	0.5	12.584	0.4	-
India	(Rs)	58.4540	-0.0636	109 - 176	58.7360	58.3790	-	-	-	-	-	-	-
Israel	(Shk)	5.5631	+0.0069	569 - 692	5.5737	5.5561	-	-	-	-	-	-	-
Japan	(Y)	190.235	-0.406	121 - 350	190.840	189.760	189.175	6.7	187.165	6.5	178.35	6.2	130.6
Malaysia	(M$)	4.1061	-0.0047	044 - 078	4.1292	4.0994	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3722	+0.0334	708 - 735	2.3850	2.3682	2.372	0.1	2.373	-0.1	2.3801	-0.3	113.4
Philippines	(Peso)	43.0649	-0.0647	164 - 132	43.1235	43.0159	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1240	-0.0119	219 - 261	6.1600	6.1134	-	-	-	-	-	-	-
Singapore	(S$)	2.3386	-0.0001	373 - 399	2.3488	2.3348	-	-	-	-	-	-	-
South Africa	(R)	7.3021	-0.0092	981 - 061	7.3379	7.2917	-	-	-	-	-	-	-
South Korea	(Won)	1454.67	-3.63	048 - 926	1481.61	1448.72	-	-	-	-	-	-	-
Taiwan	(T$)	45.4094	0.096	488 - 499	45.7305	45.4451	-	-	-	-	-	-	-
Thailand	(Bt)	40.5764	-0.1928	860 - 667	42.3410	40.4760	-	-	-	-	-	-	-

† Rates for May 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1499	+0.1457	469 - 528	12.1785	12.0400	12.1274	2.2	12.0787	2.3	11.8299	2.8	102.8
Belgium	(BFr)	35.6300	+0.418	250 - 350	35.7300	35.1720	35.555	2.5	35.4	2.6	34.86	2.7	103.0
Denmark	(DKr)	6.5738	+0.0826	728 - 748	6.5922	6.5072	6.5621	2.1	6.5373	2.2	6.4253	2.8	105.0
Finland	(FM)	5.1983	+0.0586	958 - 008	5.2125	5.1302	5.1864	2.8	5.162	2.8	5.0538	2.8	81.6
France	(FFr)	5.8230	+0.0615	225 - 235	5.8392	5.7594	5.8114	2.4	5.7886	2.4	5.6735	2.6	105.1
Germany	(DM)	1.7262	+0.0206	259 - 265	1.7310	1.7065	1.7225	2.6	1.7148	2.6	1.6778	2.8	104.0
Greece	(Dr)	275.285	+2.785	140 - 430	275.950	272.700	276.17	-3.9	277.71	-3.5	283.985	-3.2	84.7
Ireland	(I£)	1.5005	-0.0095	995 - 015	1.5130	1.4993	1.4998	0.5	1.4992	0.3	1.496	0.3	-
Italy	(L)	1698.60	+6.8	810 - 910	-	-	1700.5	-1.3	1703.2	-1.1	1705.47	-0.4	75.3
Luxembourg	(LFr)	35.6300	+0.418	250 - 350	35.7300	35.1720	35.555	2.5	35.4	2.6	34.86	2.7	103.0
Netherlands	(Fl)	1.9425	+0.0237	422 - 428	1.9475	1.9204	1.9384	2.5	1.9298	2.6	1.8893	2.7	102.5
Norway	(NKr)	7.1611	+0.0474	586 - 636	7.1902	7.1158	7.1438	2.9	7.1184	2.4	6.9926	2.4	97.4
Portugal	(Es)	174.160	+1.59	110 - 210	175.000	172.810	174.145	0.1	174.08	0.2	172.77	0.8	93.9
Spain	(Pta)	145.870	+1.575	820 - 920	146.150	144.730	145.87	0.0	145.793	0.2	144.535	0.9	77.3
Sweden	(SKr)	7.7902	+0.062	864 - 939	7.8186	7.7257	7.7808	1.4	7.7602	1.5	7.6657	1.8	82.9
Switzerland	(SFr)	1.4301	+0.0154	296 - 306	1.4365	1.4130	1.4252	4.1	1.4155	4.1	1.3698	4.2	106.5
UK	(£)	1.6329	-0.0031	325 - 332	1.6425	1.6298	1.6317	0.9	1.6296	0.9	1.6211	0.7	99.0
Ecu	-	1.1284	-0.013	280 - 287	1.1368	1.1265	1.1299	-1.5	1.1332	-1.7	1.1508	-2.0	-
SDR†	-	0.71850	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0706	-0.0009	705 - 706	1.0707	1.0704	-	-	-	-	-	-	-
Canada	(C$)	1.3772	-0.0022	769 - 774	1.3793	1.3746	1.3742	2.6	1.3687	2.5	1.3497	2.0	84.3
Mexico	(New Peso)	7.9190	+0.003	140 - 240	7.9250	7.9130	8.0275	-16.4	8.229	-15.7	9.224	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3178	+0.0042	173 - 182	1.3183	1.3154	1.3182	-0.4	1.3183	-0.2	1.3178	0.0	95.8
Hong Kong	(HK$)	7.7443	-0.0042	438 - 448	7.7480	7.7425	7.7453	-0.2	7.7467	-0.1	7.7588	-0.2	-
India	(Rs)	35.8050	+0.03	800 - 300	35.8370	35.7720	35.895	-3.0	36.18	-4.2	33.985	5.1	-
Israel	(Shk)	3.4070	+0.0108	039 - 100	3.4105	3.3959	-	-	-	-	-	-	-
Japan	(Y)	116.506	-0.025	460 - 550	116.650	115.880	115.95	5.7	114.845	5.7	109.945	5.6	131.3
Malaysia	(M$)	2.5147	+0.002	142 - 152	2.5173	2.5114	2.517	-1.1	2.5211	-1.0	2.538	-0.9	-
New Zealand	(NZ$)	1.4527	+0.0048	522 - 533	1.4535	1.4521	1.4535	-0.7	1.4559	-0.9	1.466	-0.9	-
Philippines	(Peso)	26.3740	-0.001	500 - 980	26.3985	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	500 - 510	3.7515	3.7495	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4322	+0.0027	317 - 327	1.4340	1.4305	1.4305	1.4	1.4264	1.6	1.4047	1.8	-
South Africa	(R)	4.4720	+0.003	705 - 735	4.4740	4.4700	4.5115	-10.6	4.589	-10.5	4.887	-9.3	-
South Korea	(Won)	891.000	-0.5	500 - 500	893.500	888.490	-	-	-	-	-	-	-
Taiwan	(T$)	27.8650	-0.005	400 - 900	27.8910	27.8390	27.8656	0.0	27.867	0.0	27.8712	0.0	-
Thailand	(Bt)	24.8500	-0.07	000 - 000	25.9100	24.7500	24.9113	-3.0	25.095	-3.0	25.805	-3.0	-

† SDR rate per $ for May 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 30: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

June 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	3	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	7	[illegible]	[illegible]	[illegible]	[illegible]	8.25	6.75	6.78
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.90
Switzerland	½	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.46	5.58	5.70	5.98	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jun 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.21	96.39	+0.03	96.45	96.21	61,982	65,867
Sep	96.25	96.37	-0.01	96.45	96.24	39,007	60,581
Dec	96.25	96.37	-0.01	96.47	96.25	13,056	34,623

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.80	96.80	-	96.81	96.79	6324	216084
Sep	96.73	96.72	-0.01	96.74	96.72	17056	214476
Dec	96.59	96.59	-0.01	96.61	96.59	13214	238384
Mar	96.46	96.46	-	96.48	96.45	16366	216421

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.84	96.84	+0.01	96.84	96.84	200	1707
Jul	-	96.83	+0.01	-	-	0	350
Aug	-	96.81	+0.01	-	-	0	119
Sep	-	96.78	-	-	-	0	8

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.06	93.14	-	93.15	93.00	23873	98131
Sep	93.29	93.37	-0.02	93.40	93.28	31625	98575
Dec	93.50	93.56	-0.02	93.58	93.48	9441	54581
Mar	93.63	93.67	-0.01	93.68	93.58	5694	36964

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.87	98.81	+0.01	98.87	98.78	8252	44679
Sep	98.77	98.69	-0.03	98.77	98.65	9747	58359
Dec	98.57	98.49	-0.03	98.57	98.44	3655	32790
Mar	98.41	98.33	-0.04	98.42	98.29	1667	14744

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.37	-	-	-	0	n/a
Sep	-	99.14	-0.02	-	-	0	n/a
Dec	98.82	98.82	-0.02	98.82	98.82	500	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.80	95.84	+0.01	95.86	95.79	361	8069
Sep	95.79	95.81	-0.02	95.84	95.79	722	6760
Dec	95.73	95.75	-0.01	95.78	95.73	200	5376
Mar	95.64	95.66	-0.01	95.64	95.64	8	3804

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9300	0.20	0.52	0.74	0.06	0.15	0.18
9325	0.06	0.36	0.56	0.17	0.24	0.25
9350	0.02	0.21	0.41	0.38	0.34	0.35

Est. vol. total, Calls 4406 Puts 4178. Previous day's open int., Calls 180413 Puts 89870

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.34	4.845	1.870	4767	5.452	20.10	488.8	409.4	21.86	4.014	1.719	3.865	2.807	327.0	2.487
Denmark	(DKr)	54.20	10	8.858	2.626	1.014	2584	2.955	10.89	264.8	221.9	11.85	2.175	0.932	2.095	1.521	177.2	1.348
France	(FFr)	61.19	11.29	10	2.964	1.145	2917	3.336	12.30	299.1	250.5	13.38	2.456	1.052	2.365	1.717	200.1	1.522
Germany	(DM)	20.64	3.808	3.373	1	0.386	984.0	1.125	4.148	100.9	84.50	4.513	0.828	0.355	0.798	0.579	67.49	0.513
Ireland	(I£)	53.46	9.864	8.737	2.590	1	2549	2.915	10.75	261.3	218.9	11.69	2.146	0.919	2.066	1.501	174.8	1.330
Italy	(L)	2.098	0.387	0.343	0.102	0.039	100	0.114	0.422	10.25	8.588	0.459	0.084	0.036	0.081	0.059	6.859	0.052
Netherlands	(Fl)	18.34	3.384	2.998	0.889	0.343	874.4	1	3.687	89.66	75.09	4.010	0.736	0.315	0.709	0.515	59.98	0.456
Norway	(NKr)	49.75	9.180	8.131	2.411	0.931	2372	2.718	10	243.2	203.7	10.88	1.997	0.855	1.923	1.396	162.7	1.238
Portugal	(Es)	20.46	3.775	3.343	0.991	0.383	975.3	1.115	4.112	100	83.76	4.473	0.821	0.352	0.791	0.574	66.90	0.509
Spain	(Pta)	24.43	4.507	3.992	1.183	0.457	1164	1.332	4.909	119.4	100	5.341	0.980	0.420	0.944	0.686	79.87	0.608
Sweden	(SKr)	45.74	8.439	7.475	2.216	0.856	2180	2.494	9.192	223.6	187.2	10	1.836	0.786	1.768	1.284	149.6	1.138
Switzerland	(SFr)	24.91	4.597	4.072	1.207	0.466	1188	1.358	5.007	121.8	102.0	5.447	1	0.428	0.963	0.699	81.47	0.620
UK	(£)	58.18	10.73	9.508	2.819	1.088	2774	3.172	11.69	284.4	238.2	12.72	2.335	1	2.249	1.633	190.2	1.447
Canada	(C$)	25.87	4.773	4.228	1.253	0.484	1233	1.410	5.200	126.5	105.9	5.657	1.038	0.445	1	0.726	84.60	0.643
USA	($)	35.63	6.574	5.823	1.726	0.666	1699	1.943	7.161	174.2	145.8	7.790	1.430	0.612	1.377	1	116.5	0.886
Japan	(Y)	30.58	5.643	4.998	1.482	0.572	1458	1.667	6.147	149.5	125.2	6.687	1.228	0.526	1.182	0.858	100	0.761
Ecu	-	40.20	7.416	6.571	1.948	0.752	1917	2.192	8.081	196.5	164.6	8.790	1.614	0.691	1.554	1.128	131.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5857	0.5788	-0.0084	0.5864	0.5790	21,955	74,833
Sep	0.5900	0.5825	-0.0085	0.5900	0.5827	800	5,426
Dec	-	0.5864	-0.0086	-	0.5870	49	533

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8630	0.8599	-0.0023	0.8650	0.8587	13,168	76,384
Sep	0.8726	0.8710	-0.0026	0.8740	0.8701	895	6,295
Dec	-	0.8855	-	-	-	35	874

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7086	0.6990	-0.0103	0.7093	0.6971	12,730	43,548
Sep	0.7174	0.7073	-0.0103	0.7174	0.7050	569	6,292
Dec	0.7150	0.7158	-0.0103	0.7158	0.7150	13	453

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6400	1.6312	-0.0092	1.6410	1.6296	4,312	36,909
Sep	1.6254	1.6284	-0.0088	1.6360	1.6254	239	4,972
Dec	-	1.6330	-	-	-	2	117

UK INTEREST RATES

LONDON MONEY RATES

Jun 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. [illegible]

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.36	93.35	-0.02	93.37	93.34	8709	109693
Sep	93.17	93.15	-0.02	93.18	93.13	9203	107825
Dec	93.01	92.99	-0.01	93.01	92.96	6075	95623
Mar	92.88	92.86	-	92.88	92.83	2950	62014
Jun	92.76	92.76	-0.01	92.77	92.72	1338	46647

Also traded on APT. All Open interest figs. are for previous day

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.12	0.08	0.02	0.02	0.10	0.35
9350	0.01	0.02	0.01	0.16	0.37	0.54
9375	0	0.01	0	0.40	0.60	0.77

Est. vol. total, Calls 1780 Puts 1402. Previous day's open int., Calls 178755 Puts 174181

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	•Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	•Smith & Williamson Secs	6.25
•Henry Ansbacher	6.25	Financial & Gen Bank	7.00	Scottish Widows Bank	6.00
Bank of Baroda	6.25	•Robert Fleming & Co	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	Girobank	6.25	United Bank of Kuwait	6.25
Bank of Cyprus	6.25	•Guinness Mahon	6.25	Unity Trust Bank Plc	6.00
Bank of Ireland	6.25	Habib Bank AG Zurich	6.25	Western Trust	6.25
Bank of India	6.25	•Hambros Bank	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	Heritable & Gen Inv Bk	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	•C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
•Brown Shipley & Co Ltd	6.25	Investec Bank (UK) Ltd	6.25		
Citibank NA	6.25	Julian Hodge Bank	6.25		
Clydesdale Bank	6.25	•Leopold Joseph & Sons	6.25		
The Co-operative Bank	6.25	Lloyds Bank	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		•Rea Brothers	6.25		
		Royal Bk of Scotland	6.25		

• Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Jun 2	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.759534	-0.00378	-5.26	8.09	35
Portugal	197.398	197.659	-0.313	0.13	2.25	-1
Finland	5.85424	5.90739	+0.01767	0.91	1.45	-6
Spain	163.826	165.716	+0.184	1.15	1.21	-8
Italy	1906.48	1931.80	-10.76	1.33	1.04	-10
Denmark	7.34555	7.46808	+0.01929	1.64	0.72	-11
Netherlands	2.19672	2.23573	+0.00554	1.65	0.71	-12
Germany	1.94964	1.98557	+0.00498	1.81	0.56	-18
Austria	13.5485	13.7994	+0.0346	1.85	0.52	-14
Belgium	39.7191	40.4716	+0.1038	1.89	0.48	-14
France	6.40883	6.61236	+0.00364	2.08	0.00	-20
NON ERM MEMBERS						
Greece	295.269	312.513	+3.114	5.87	-3.30	-
UK	0.793103	0.689990	-0.005556	-12.24	16.67	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
1.620	2.31	2.84	3.40	0.391	1.01	1.69
1.630	1.57	2.26	2.82	0.63	1.39	2.11
1.640	1.02	1.73	2.36	1.05	1.86	2.55

Previous day's vol., Calls 879 Puts 100. Prev. day's open int., Calls 34,469 Puts 38,320

■ **PHILADELPHIA SE DM/$ OPTIONS** DM62,500 (cents per DM)

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	PUTS Jun	PUTS Jul	PUTS Aug
0.585	0.55	0.90	1.21	0.36	0.62	0.83
0.590	0.32	0.64	0.97	0.64	0.87	1.07
0.595	0.18	0.45	0.76	1.00	1.19	1.34

Previous day's vol., Calls 208 Puts 750. Prev. day's open int., Calls 24,113 Puts 32,571

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.19	94.19	-	94.20	94.19	57,156	414,555
Sep	94.00	94.02	-	94.03	94.00	114,632	473,586
Dec	93.77	93.80	-0.03	93.81	93.76	179,461	377,210

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.95	94.94	-	94.95	94.94	589	4,285
Sep	94.87	94.86	-0.02	94.87	94.86	42	5,699

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9675	0.06	0.03	0.04	0.06	0.01	0.06	0.07	0.09
9700	0	0.01	0.01	0.01	0.20	0.23	0.29	0.29
9725	0	0	0	0	0.45	0.48	0.53	0.53

Est. vol. total, Calls 3401 Puts 902. Previous day's open int., Calls 488919 Puts 302506

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9900	0.02	0.03	0.05	0.21	0.34	0.56
9925	0	0.01	0.02	0.44	0.57	0.78

Est. vol. total, Calls 600 Puts 900. Previous day's open int., Calls 4305 Puts 3240

Retreat in coffee prices continues

MARKETS REPORT

By Gary Mead in London and Laurie Morse in Chicago

Profit-taking bit coffee prices on the world futures markets yesterday following their recent strong rally. Prices in New York and London fell sharply after the 12 per cent slide in arabica futures on the US Coffee, Cocoa and Sugar Exchange on Friday.

On the London International Financial Futures Exchange the benchmark July contract for robusta fell $370 when trading opened, down to $2,100 a tonne, against a recent peak of $2,670. It ended tha day at $2,115, down $355.

At midday yesterday on tha CSCE sellers continued to take profits and Friday's retreat continued, with tha July contract for arabica down 20.65 cents to 255.75 cents a pound.

Howevar, yesterday'a retreat may be short-lived. The fundamental factors affecting the coffee market remain the same – a volatile mixture of tight supply, low stocks and fear of frost in Brazil. The latest weather forecasts for Latin America anticipate temperatures above normal for this week.

Palladium prices fell sharply as Russian officials arrived in Japan for talks on restarting stalled exports of the metal. In London, palladium closed at $172.50 a troy ounce, down $6.50, while platinum *was $2 an ounce lower at $402.*

Officials from Almazjuvelirexport, Russia's export agency for precious metals, arrived in Tokyo for two weeks of talks. Mr Vitaly Berlin, a senior Almaz official, said Russia would "be able to resume" precious group matals, including platinum, this month. News about volume may follow next week.

Other markets were relatively quiet. In late trading on London's International Petroleum Exchange, oil prices moved slightly upwards, with Brent crude for July delivery up 15 cents to $19.54 a barrel.

Base metals on the London Metal Exchange generally drifted lower. Three-month copper fell $44 to $2,485 a tonne, while zinc for the *same delivery fell $15 to $1,330* a tonne.

Soyabean futures on the Chicago Board of Trade gave back most of Friday's advance, as the contract for July delivery cootinued to reflect market uncertainty over wbether current tight soyabean supplies were sufficient to meet processor and export needs.

The US Department of Agriculture has projected that farmers will be scraping the bottom of their bins by the time the crop year ends on August 31, with only 125m bushels remaining as carry-over.

However, the new US crop, for harvest in mid-September, is expected to be a record, based on early planting data. As a result, old-crop *soyabeans, reflected in the July* futures contract, are carrying a wide premium over November, the harvest-time contract.

"July will remain extremely volatile, and you will see 10 cent shifts in either direction in response to weekly crusb data, import, export and export sales reports," said Mr Dick Smetana, director of research for AgResource in Chicago.

He projected the July contract would hold between the contract high of $9.02 and $8.25 as traders sorted out supply and demand. New crop soyabeans are being seeded at a near-record pace, with plantings expected to be 90 per cent complete this week.

Cuba reaps benefits of organic farming

Cuba's recent allegations of a "biological attack" on its crops by the US highlights the importance of food security for the communist-ruled island.

Havana has formally accused the US government at the United Nations of releasing a plague of tiny, juice-sucking bugs that are now reported to be ravaging food crops in three Cuban provinces. Washington has denied the charges, calling them "outrageous".

During the 1980s, Cuba began a massive conversion to organic food prodnction. Today, its success in producing food without chemicals has enabled the island to feed itself without the need for imports, keeping the revolution intact and stimulating interest from the outside world.

Delegations from the UK, Italy, Brazil and, by special arrangement, Texas and California have visited Cuba this year to witness and "export" its techniques.

"Castro sees sustainable agriculture as a way to keep the spirit of the revolution alive," says Mr Luis Garcia, head of Havana University'a department of agro-ecology.

Cuba'a transformation to organic techniques did not arise – as it has in Europe and North America – from the luxury of consumer concerns with the health and environmental effects of conventional agriculture. It has been a state-motivated conversion stemming from the need to avert a general food crisis.

"The problem was that by the 1980s, 80 per cent of Cuba's food requirements were imported from the USSR," says Mr Garcia, "along with 90 per cent of the pesticides and fertilisers necessary to produce sugar – its main cash crop – and 50 per cent of its fuel." In 1989, Soviet withdrawal sent the country into spasms of economic crisis.

Gross domestic prodnct plummeted by some 35 per cent between 1989 and 1993, with sugar exports falling by 70 per cent and imports by 75 per cent. Cuba's biggest *problem is feeding the country* without either chemical inputs or the fuel to power automated farm machinery. Castro dubbed the crisis a "special period of peacetima"; locals called it Armageddon.

Cuba's socialist emphasis on education and scientific excellence meant it had 11 per cent of all Latin American scientists. Some, unhappy with the intensive agricnltnral systems imported wbolesale from the USSR, had begun their own trials of alternative techniques during the 1980s.

Of central importance was an understanding of natural systems of fertilisation and pest control in place of synthetic chemicals.

"In the past three years, Cuba has used only 22 per cent of the pesticides it used in 1989," says Mr Garcia. "At the same time, the rest of Latin America has increased pesticide usage by some 4 to 8 per cent per annum."

On the ootskirts of Havana, the Cuban Association of Organic Agriculture (ACAO) is running mixed livestock/crop trials. Mr Fernando Funes, its director, *explained that the overall aim was to develop systems suitable to provide enough nutrition* for the family of an average *campesino*, or Cuban small farmer, on a three hectare plot. "Crops are chosen *for* their valoe in providing essential staples, as well as for how they interact with each other," he says.

"Because many farmers now have tha freedom to farm individually, the production of organic food has risen exponentially and since 1993, 42 per cent of rice *is now farmed organically,"* says Mr Funes, once a director of the Rice Institute.

Many families are to be seen tilling small rice paddies by the roadside but changes have not been limited to rural areas. In Havana, some 30,000 families have converted gardens into mini-farms since 1991. Vegetables are grown organically to feed urban consumers.

Sugar remains Cuba's most significant export crop, covering some 72 per cent of cultivable land. Mr Funes *considers that with proper* funding to continue trials, its production could be fully organic within a decade.

Cuba's experience in "alternative" agricultural techniques has been a specific response to its own political situation, both as an island and one of the last bastions of communism.

However, the way in which its people have responded since 1989 to averting a severe food crisis has created a legacy of knowledge about low input and *organic techniques from* which the rest of the world is now keen to benefit.

Lucy Morgan Edwards

Lucy Morgan Edwards

Growth business: Organic expert Fernando Funes (right) measures crops for yield increases

COMMODITIES NEWS DIGEST

Gold price seen to track rise in costs

The rising cost of gold production should underpin a modest but steady uptrend in gold prices, according to AME Mineral Economics, the Sydney-based consultancy. In its latest report on the gold industry, AME claims that movements in existing world gold atocks seem to have had "virtually no" inflationary effect on the gold price, "which appears to track gold mining costs consistently".

"Assuming that the relationship holds into the future, then the gold price should continue to follow the direction of future mine costs," it argues. The marginal cost of producing gold in 1996 dollars – proxied by the top decile of forecast mine cash costs – will rise from about $350 per ounce in 1997 and $369 per ounce next year, to about $388 per ounce by 2001, it forecasts.

AME estimates that this should encourage the gold price to increase from an average of about $360 per ounce this year to about $380 in 1998. "Consistent with the increase in marginal costs in 1999, real gold prices should move up to at least $390 per ounce or more, and should settle at the $400 mark by 2000–2001."

The survey notes that South Africa continues to suffer the highest average costs of the main gold producing countries, with Australia falling into second place.

Meanwhile, Placer Pacific, operator of the Porgera gold mine in Papua New Guinea, said mill throughput had been suspended on Sunday evening. It said exceptionally dry weather bad "seriously reduced" water levels in the main dam supplying the mine. *Nikki Tait, Sydney*

Comalco in gas pipeline talks

Comalco, the integrated Australian alumininm producer, is talking to the Chevron-led consortium that is considering building a gas pipeline between Papua New Guinea and Queensland. Comalco has beeo looking into building an A$1bn-plus alumina refinery, and bas narrowed the choice of potential sites to Gladstone in Queensland or Malaysia. Energy costs would be crucial to the project'a viability, and it acknowledged its investment was, to an extent, interdependent on the A$3bn (US$2.3bn) pipeline plan. This would see gas shipped down from Kutubu gas field in PNG to Queensland, but would need large, guaranteed customers to make it attractive.

The two companies said that they would "co-operate to expedite completion of their respective studies, before committing to final feasibility studies" but stressed that they did not intend to become partners in each other's projects. *Nikki Tait*

Normandy Mining venture

Normandy Mining, Australia's largest gold mining group, and the smaller St Barbara Mines have formed a partnership to exploit their assets in the Cue district in Western Australia. The joint venture will take in Normandy's Big Bell gold mine and treatment plant. St Barbara's Cuddingwarra gold resource and the two groups' exploration tenements within 60km of the plant. Normandy will have a 70 per cent interest in the venture and be the operator, while St Barbara will hold 30 per cent. Normandy will also take a 7 per cent stake in St Barbara, raising A$9.75m for the smaller group and giving it a seat on St Barbara's board. *Nikki Tait*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1585-86	1602-03
Previous	1611.5-12.5	1627-28
High/low		1615/1595
AM Official	1586-87	1606-06.5
Kerb close		1597-98
Open int.	263,942	
Total daily turnover	72,378	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1455-65	1480-85
Previous	1472-75	1490-95
High/low		1480/1472
AM Official	1460-65	1480-85
Kerb close		1480-85
Open int.	5,243	
Total daily turnover	760	

■ LEAD ($ per tonne)

Close	611-3	623.5-4
Previous	625-27	634-36
High/low	616/615	630/621
AM Official	614-15	625.5-26.5
Kerb close		625-6
Open int.	35,194	
Total daily turnover	10,345	

■ NICKEL ($ per tonne)

Close	6915-25	7025-30
Previous	7110-20	7220-30
High/low		7160/6950
AM Official	6875-80	6970-75
Kerb close		7020-25
Open int.	52,017	
Total daily turnover	23,285	

■ TIN ($ per tonne)

Close	5550-60	5605-10
Previous	5525-35	5580-90
High/low		5640/5510
AM Official	5525-30	5586-90
Kerb close		5620-30
Open int.	16,309	
Total daily turnover	5,321	

■ ZINC, special high grade ($ per tonne)

Close	1303-04	1327-27.5
Previous	1325.5-26.5	1348-48.5
High/low		1334/1320
AM Official	1302-03	1324-24.5
Kerb close		1328-29
Open int.	90,590	
Total daily turnover	37,696	

■ COPPER, grade A ($ per tonne)

Close	2539.5-41.5	2483-84
Previous	2611-12	2542-43
High/low	2553	2531/2472
AM Official	2551-53	2489-90
Kerb close		2485-86
Open int.	136,556	
Total daily turnover	65,208	

■ LME AM Official £/$ rate: 1.6324
LME Closing £/$ rate: 1.6315

Spot: 1.6355 3 mths: 1.6323 6 mths: 1.6297 9 mths: 1.6270

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	117.00	-1.60	117.00	115.90	399	3,143
Jul	117.15	-1.95	118.70	115.90	7,638	33,186
Aug	115.45	-1.05	115.45	114.25	147	2,117
Sep	114.20	-1.30	114.50	113.00	1,131	8,626
Oct	112.35	-1.05	-	-	34	1,093
Nov	110.30	-1.40	-	-	23	1,214
Total					10,180	58,918

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	343.80-344.30		
Opening	344.05-344.35		
Morning fix	344.00	210.39	489.75
Afternoon fix	343.90	210.91	492.40
Day's High	344.60-344.90		
Day's Low	343.40-343.70		
Previous close	344.80-345.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.72 8 months 4.58
2 months ....4.72 12 months 4.50
3 months 4.69

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.00	473.25
3 months	292.00	476.90
6 months	296.00	482.15
1 year	305.00	494.85

Gold Coins	$ price	£ equiv.
Krugerrand	344-346	211-212
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	343.7	-1.1	344.9	343.4	4,796	2,812
Aug	346.5	-1.0	347.4	346.2	31,928	63,591
Oct	349.0	-1.1	349.8	349.0	239	7,429

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	85.00	-0.75	85.00	85.00	56	1,171
Sep	88.10	-0.75	-	-	-	174
Nov	90.10	-0.75	90.35	90.10	279	3,571

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (100 tonnes; £ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE (20 tonnes; £ per tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1026	-12	1034	1019	1,480	28,732
Sep	1044	-9	1050	1036	838	16,478
Dec	1035	-6	1035	1028	846	29,130

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE (5 tonnes; $/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

■ CRB Futures (Base: 1967 = 100)

■ GSCI Spot (Base: 1970 = 100)

■ LME WAREHOUSE STOCKS (tonnes)

Tea

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jun	64.400	-0.725	64.975	64.375	6,376	22,149
Aug	64.300	-0.625	64.925	64.250	6,006	43,640
Oct	68.025	-0.325	68.275	67.975	2,630	20,453

■ LEAN HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME

■ COPPER (Grade A) LME

■ COFFEE LIFFE

■ COCOA LIFFE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

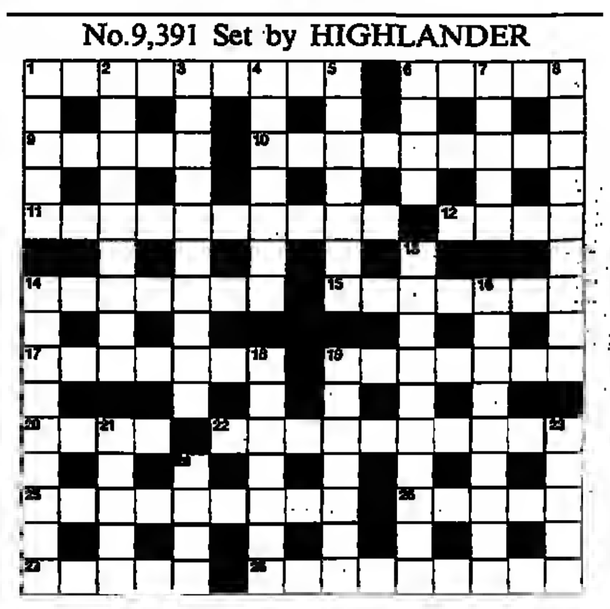
■ NATURAL GAS (Pence/therm)

■ OTHER

JOTTER PAD

CROSSWORD

No.9,391 Set by HIGHLANDER



ACROSS

1 Tip for Parisians – serve drink to one in pain (9)
6 Old-fashioned party is best (5)
9 Inclined to allow one inside (5)
10 Gas is clean yet replaced by engineer (9)
11 Italian description of a type of cold dessert (10)
12 Satirist's turn in second gear (4)
14 Community underworld almost operating in military formation (7)
15 One worrying runner (7)
17 First to get in the way is fashionable dressmaker (7)
19 Cast adrift with hand tool (4-3)
20 Not let down by orderly (4)
22 Catherine Cookson's Super Salesgirl? (4,6)
25 Ultraconservative obliged to stay under cover at first (9)
26 It takes measures for printing bits of information (5)
27 Heads of university colleges appear inside the cover: this is clear (5)
26 Teach both Everton sides to shine (9)

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1 Power lead only converted for cable carrier (5)
2 International group first hit heavily but oot ambarrassed (9)
3 Shakespears's dreamy weaver not as inexhaustible (10)
4 European with sex appeal, a pin-up (7)
5 Rubbish, I said, use soap and water (7)
6 Stone performing with two unknowns (4)
7 Pinch assistant's bottom without mucb force (5)
8 Do away with remaining project (9)
13 Wasting most of fried fruit when on call (10)
14 Men Hamlet organised to produce food in Switzerland (9)
16 Driving oo – push on fast (9)
18 Make West Country waterway appealing (7)
19 Dialect can be translated: a strong point (7)
21 When investigators turn up underwater detection gear (5)
23 Out of bed in summer when weather is enjoyable (5)
24 Retired with a teaching qualification (4)

Solution to Saturday's prize puzzle on Saturday June 14.
Solntion to yesterday's prize puzzle on Monday June 16.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES, PUBS & REST

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING & CONSTRUCTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING MATS. & MERCHANTS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DISTRIBUTORS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DIVERSIFIED INDUSTRIALS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICITY

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRONIC & ELECTRICAL EQPT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTRACTIVE INDUSTRIES - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD PRODUCERS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GAS DISTRIBUTION

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEALTH CARE

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING, VEHICLES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTRACTIVE INDUSTRIES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEALTH CARE - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOUSEHOLD GOODS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE - Cont.

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INV TRUSTS SPLIT CAPITAL

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols relating to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAV's) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

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LONDON STOCK EXCHANGE

Financial stocks drive Footsie down again

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The stock market debut of the Halifax, newly converted to banking status, overwhelmingly dominated a UK equity market which lost ground for the fourth consecutive session as the rest of the banking sector cama under fire.

Dealers cited a long list of factors behind the slide, including the forthcoming budget, scheduled for July 2, initial unease in European markets following the victory by the Socialists in the French election and the possibility of a rise in UK interest rates.

London's poor performance came as no real surprise to many observers. "As soon as the Halifax share price came off the boil the market dropped like a stone; it was just the excuse the marketmakers were looking for," said the head of sales trading at one big European securities house.

The FTSE 100 index finished 58.5 lower at 4,562.8, a four-day decline of 118.8 or 2.5 per cent, and the first time it has been below 4,600 since May 8.

The FTSE 250 and the SmallCap, were less affected. The former closed 13.9 off at 4,481.9 and the latter 2.8 easier at 2,291.4. The FTSE All-Share index dipped 8.39 to 2,192.52.

"The market was overbought. The sector was overbought. It was ripe for e two-day correction," said Mr John Shelley, director of UK market leaders at Abtrust fund managers. However, he thought the sell-off would be short and that the bank stocks and markat would rebound.

Earlier, London had kicked off the day in prime form, driven sharply higher by the opening performance by Halifax shares, which began trading at 774½p and nudged up to 776p, before being hit by profit-taking. UK stocks were also helped by Wall Street's rally on Friday, which saw the Dow Jones Industrial Average recover from being down 80 points to close marginally higher on the day.

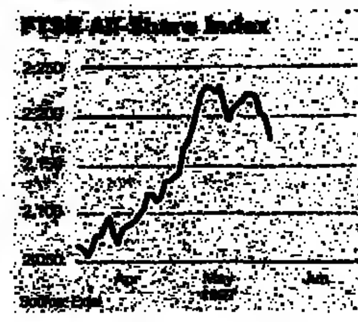
The first signs of selling in Halifax were seen as the trigger for a bout of wholesale profit-taking in the financial sector, especially the banks, which featured prominently among Footsie's worst performers. The banks have been described as ripe for a setback, notably by Goldman Sachs at the end of last week.

Turnover in Halifax ehares accounted for over half the market total, which reached 1.283bn shares at 6pm.

Already pressured hy the increasing nervousness in the banks, London was additionally unsettled by the poor opening on Wall Street yesterday. The Dow fell about 20 points shortly after the market opened in the wake of a stronger than expected purchasing managers' raport for May, which was interpreted as increasing the chances of a rise in US interest rates.

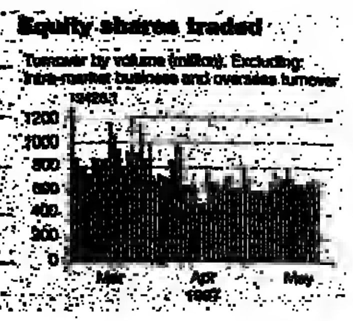
The concerns about European markets after the French election tended to dissipate later in the session, unlike the worries about the July 2 Budget. Dealers said the prospect of measures such as the windfall profits tax, the introduction of a minimum wage and changes to advance corporation tax, had begun to unnerve sentiment.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4562.8	–58.5	FT 30	2942.7	–28.8
FTSE 250	4481.9	–13.9	FTSE Non-Fins p/e	18.56	18.68
FTSE 350	2216.6	–24.2	FTSE100 Fut Jun	4560.0	–61.0
FTSE All-Share	2178.68	–22.23	10 yr Gilt yield	7.23	7.23
FTSE All-Share yield	3.56	3.52	Long gilt/equity yld ratio	2.03	2.06

Best performing sectors

1 Gas Distribution +0.7
2 Textiles & Apparel +0.7
3 Leisure & Hotels +0.6
4 Pharmaceuticals –0.0
5 Oil Exploration & Prod –0.1

Worst performing sectors

1 Electricity –3.3
2 Banks: Retail –3.0
3 Life Assurance –2.7
4 Breweries: Pubs & Rest –1.5
5 Other Financial –1.3

Halifax off to a flyer

By Joel Kibazo, Martin Brice and Gary Mead

The debut of Balifax was easily the biggest event in the market yesterday.

Dealing in the stock not only accounted for half of the total turnover in the market but was also said to have contributed to the further decline seen in the rest of the retail banking sector.

It was, however a volatile trading session for the new shares. There was euphoria at the start of the session as Halifax shares opened at 774½p, way above fair vaine estimates of about 720p. The opening not only helped the banking sector but also helped underpin early trading in the market as a whole.

Much of the early business was done around the 720p a share mark with dealers reporting the smaller institutions and brokers as the active players in the market at that stage.

The shares touched a high of 776p, before easing off the top ahead of the lunchtime period as several institutions went in for profit-taking. They closed at 734½p, well above the best predictions.

Many shareholders opted for an immediate sale by auction, with their shares reaching an average price of 732p a share.

Turnover was a hefty 647m with some 568m shares having been sold through auction at the start of trading to make it one of the busiest UK stock market debuts on record.

Dealers expect some of the bigger institutions to pile into tha stock over the next two weeks ahead of Halifax assuming its place in the FTSE 100 listings.

Tha start of trading in Halifax shares cast a shadow over the rest of the retail banking sector. Dealers suggested several institutions were active sellers of other issnes as they prepared themselves to buy Halifax.

Shares in Lloyds TSB gave up 30½ to 583½p, in busy trading of 13m; while Barclays surrendered 52 to £11.35, with some 8.5m having been dealt by the close. Recent reports that Mr Martin Taylor, Barclays chief executive, was to leave the group were dismissed by analysts at BZW as "ridiculous" and instead suggested investors should usa the retreat as a buying opportunity.

The day's best Footsie performer and tha fifth most heavily traded stock was hotels group Ladbroke. It defied the general market decline, rising 9 points or 3.7 per ceot to 239p, after heavy turnover of 8.7m shares, partly on the back of a "buy" note from Goldman Sachs.

Goldman's profits upgrads is thought likely to be the first in a series from other brokers; analysts are set to visit the company's gaming division tomorrow. The broker raised its assessment of the shares from "market outperformer" to "trading buy", and increased its pre-tax estimate for 1997 from £210m to £215m, and earnings per share estimates from 13.5p to 13.8p, which puts the shares on a prospactive price/earnings ratio of 17.

It also lifted its 1998 profits estimate from £250m to £255m and 1998 earnings per share from 16p to 16.8p.

Turnover in Gallaher, which mada its market debut last Friday, rose to 14m with buying from directors having boosted tha day's total.

Mr Peter Wilson, chief executive and Mr Philip Burchell, financa director, bought around 150,000 shares between them. Shares in the group followed the market retreat, closing 3 off at 272½p.

July 2 was announced as the date for the Budget yesterday, prompting a modest decline in utility stocks as investors pondered the effect of tha windfall tax. There were no risers at all in the electricity sector. National Power was the biggest faller in Footsie, retreating to 512½p ex dividend yesterday. Volume was 3.8m. PowerGen, with volume of 1.2m, was similarly easier, closing at 662½p, ex dividend. Scottish Power was down 13 to 371p in volume of 2.2m.

Powell Duffryn, the diversified industrial group, rose 5p to 453½p after it said disposals had ended its exposure to US environmental liabilities and to the UK construction sector.

South West Water rose 7½p to 724p after an "add" recommendation issued yesterday by NatWest Securities, which also said Yorkshire Water was a "hold". Yorkshire shares added a penny to 376½p in volume of 2.3m.

Among retailers, Dixons recovered some of tha ground lost last Friday, when shares in the company shed 2.1 per cent following the publication of e leaked draft report purporting to come from tha Monopolies and Mergers Commission, which was said to call for an end to recommended retail prices.

But the shares rallied 2½ to 467½p following Sunday newspaper analyses that concluded that, if anything, the ending of price fixing would benefit retailers at the expense of manufacturers.

Sporting leisure stocks, hit badly last Friday after news of a profits warning from Nike of the US, were among the day's heaviest losers in the retail sector and were additionally weakened by a profits warning from John David Sports. The latter, whose shares plunged 59 to 271p, said its like-for-like sales were down on last year's numbers. Blacks Leisure lost 21 to 518½p, while JJB Sports slipped 12½ to 492½p.

In the engineering sector, which has seen a rise recently as investors have switched out of the banking sector, British Aerospace edged down 17½p to £12.25 in volume of 1.1m shares after investors took the French election result as a suggestion that any combination with Thomson-CSF was less likely.

Smiths Industries fell 11p to 763½p after it said it was to pay £33m for two acquisitions.

Still in engineering, *OMI* International advanced 3p to 23p in volume of 1.5m following a "buy" note from Williams de Broë issued after the company last week moved back into the hlack at the full-year stage after seven years.

LucasVarity edged down to 186p, ex dividend, in volume of 4.3m. Analysts are to visit the engineer's Perkins division next week.

GKN rose above the market malaise and edged up 4p to £10.63½, helped by a "positive" note from Daiwa and an announcement from the company that it had completed the acquisition of Sinter Metals of the US.

Shares in Scottish Media and Grampian TV were marked up after confirmation that the two companies were holding merger discussions that could lead to a bid for Grampian at 320p a share.

Scottish Media rose 15p to 690p while Grampian was up 40p to 302½p.

FT 30 INDEX

	Jun 2	May 30	May 29	May 28	May 27	Yr ago	*High	*Low
FT 30	2942.7	2971.5	2987.8	3000.5	3002.7	2791.9	3018.6	2668.8
Ord. div. yield	3.72	3.68	3.65	3.66	3.66	4.00	4.22	3.62
P/E ratio net	17.85	18.03	18.16	18.14	18.14	16.16	18.33	15.80
P/E ratio nil	17.67	17.84	17.99	17.96	17.96	15.94	18.14	15.71

FT 30 since compilation: high 3018.6 13/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2979.9	2970.1	2964.9	2962.3	2960.4	2960.4	2961.3	2959.6	2943.6	2981.2	2936.8

	Jun 2	May 30	May 29	May 28	May 27	Yr ago
SEAQ bargains	60,715	42,587	41,194	42,622	45,861	33,026
Equity turnover (£m)†	-	NA	NA	NA	NA	1706.8
Equity bargains†	-	NA	NA	NA	NA	37,601
Shares traded (mil)†	-	NA	NA	NA	NA	580.3

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	704	Total Highs	87	Total contracts	39,152
Total Falls	783	Total Lows	92	Calls	21,013
Same	1,585			Puts	18,139

Jun 2 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4650.0	4550.0	-71.0	4650.0	4546.0	18499	66632
Sep	4677.0	4582.5	-72.0	4677.0	4581.5	1653	8580
Dec	4694.0	4633.0	-72.0	4694.0	4694.0	225	532

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	4487.0	-13.0	-	-	0	5511
Sep	-	4537.5	-13.0	-	-	0	700

■ FTSE 100 INDEX OPTION (LIFFE) (*4549) £10 per full index point

	4350 C	4350 P	4400 C	4400 P	4450 C	4450 P	4500 C	4500 P	4550 C	4550 P	4600 C	4600 P	4650 C	4650 P	4700 C	4700 P
Jun	215	11½	171½	18	138½	27½	93	42	62	61½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	254½	33½	216	43½	177½	55½	141½	71	110½	92½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	267	55½	229½	68½	192	79½	160	97½	128½	116½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	298	68½	257½	79½	223	94	191½	112	169½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec†			339½	112½			273	146½			[illegible]	[illegible]			[illegible]	[illegible]

Calls 10,931 Puts 4,851

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P	4525 C	4525 P	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P
Jun	188	14½	147½	23½	108	33½	75	50	48½	73½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	238	38½	191	49	154½	62½	122	79½	93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	248½	60	212	72½	177½	88	146½	106	118	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep			261	86½			174½	118			[illegible]	[illegible]			[illegible]	[illegible]
Dec†			318½	115½			160	146			[illegible]	[illegible]			[illegible]	[illegible]

Calls 4,807 Puts 7,748 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,501	655	532½	Alliance & Leic	601½	-10½	L18.3	2.5	3.4	14.8
§	F.P.	95.0	1200	820	Aston Villa	830		R8.8	1.8	1.3	45.6
	F.P.	3,924	309½	258½	Cable & Wireless	263½	-½	-	-	-	-
	F.P.	-	102	97½	Caradon 8	99½		-	-	-	-
100	F.P.	25.0	100	100	Downing Hi VCT	100		-	-	-	-
§40	F.P.	3.41	42½	30	†Eagles	35		-	-	-	-
*	F.P.	1,880	312½	270½	Gallaher	272½	-3	19.25	1.4	8.8	10.4
*	F.P.	16,436	776	734½	Halifax	734½		‡14.84	2.1	2.5	21.9
§140	F.P.	10.5	147½	102½	Heart of Midlthn	104	-1½	-	-	-	-
§	F.P.	7.18	164½	159½	†ITG	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	3.17	105½	102½	†Integrated As Mg	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
§110	F.P.	5.17	130½	122½	†Lady in Leisure	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
§	F.P.	3.76	119½	112½	Longbridge Intl	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
50	F.P.	19.6	54½	47½	†NMT	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
§10	F.P.	5.04	14¼	11½	†Newmark Tech	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	8.00	100	100	Perina AIM VCT	100		-	-	-	-
	F.P.	18.7	70½	38½	†Petra Diamonds	67½		-	-	-	-
	F.P.	0.83	48½	13½	†Do Warrants	48½		-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		Q22.6	-	1.5	-
§100	F.P.	10.6	108½	102½	†Soccer Investmnt	105½		-	-	-	-
	F.P.	116.7	262½	234½	†Soco Intl	238½		-	-	-	-
§100	F.P.		111½	107½	Topps Tiles	111½		-	-	-	-
§3	F.P.	5.04	4	3½	Versatile Group	3½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 30	% chg on day	May 29	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	[illegible]	-1.2	[illegible]	[illegible]	2.16	-	2376.96	1468.80
■ Regional Indices								
Africa (14)	1734.77	-0.9	1751.21	3125.57	5.13	27.56	3144.05	1724.86
Australasia (6)	1739.12	-0.7	1751.71	2693.40	3.01	18.41	2677.22	1739.12
North America (11)	1510.69	-1.3	1530.96	2093.53	0.85	62.22	2126.45	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jun 2	Day's chge%	May 30	May 29	May 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4562.8	–1.3	4621.3	4672.3	4677.5	3739.2	3.59	2.04	17.03	84.09	1945.71
FTSE 250	4461.9	–0.3	4495.8	4506.2	4506.0	4505.5	3.64	1.57	21.83	73.00	1866.76
FTSE 250 ex IT	4491.0	–0.3	4505.0	4517.8	4517.3	4551.4	3.79	1.60	20.61	74.40	1875.40
FTSE 350	2216.6	–1.1	2240.8	2261.9	2263.9	1696.5	3.60	1.95	17.80	39.91	1929.91
FTSE 350 ex IT	2215.6	–1.1	2240.2	2261.7	2263.7	–	3.63	1.96	17.56	7.54	989.11
FTSE 350 Higher Yield	2156.6	–1.2	2183.4	2202.4	2206.7	1828.0	4.63	1.83	14.79	47.22	1590.73
FTSE 350 Lower Yield	2281.9	–0.9	2303.3	2326.9	2326.4	1972.3	2.54	2.18	22.51	31.89	1626.09
FTSE SmallCap	2291.35	–0.1	2294.16	2296.88	2299.73	2228.39	3.07	1.70	23.90	32.40	1941.47
FTSE SmallCap ex IT	2279.52	–0.1	2282.52	2286.91	2288.02	2228.28	3.30	1.78	21.24	34.38	1947.17
FTSE All-Share	2178.68	–1.0	2200.91	2220.52	2222.40	1882.29	3.56	1.94	18.14	38.50	1925.00
FTSE All-Share ex IT	2177.00	–1.0	2199.83	2219.88	2221.78	–	3.61	1.95	17.74	7.29	989.17

■ *FTSE* Actuaries Industry Sectors

	Jun 2	Day's chge%	May 30	May 29	May 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4360.18	–0.4	4369.33	4412.95	4428.71	3469.77	3.50	2.02	17.70	86.03	1947.59
12 Extractive Industries(5)	4360.44	–1.0	4402.99	4442.92	4501.28	4466.37	3.61	2.38	14.52	104.80	1332.85
15 Oil, Integrated(3)	4494.66	–0.4	4512.73	4565.06	4574.57	3474.56	3.79	1.98	17.28	90.91	2068.90
18 Oil Exploration & Prod(12)	3596.86	–0.1	3601.28	3584.03	3605.58	2499.29	1.61	2.22	35.14	37.81	2204.69
20 GEN INDUSTRIALS(268)	[illegible]										
21 Building & Construction(33)	[illegible]										
22 Building Matls & Merchs(30)	[illegible]										
23 Chemicals(23)	[illegible]										
24 Diversified Industrials(16)	[illegible]										
25 Electronic & Elect Equip(36)	[illegible]										
26 Engineering(69)	[illegible]										
27 Engineering, Vehicles(13)	[illegible]										
28 Paper, Pckg & Printing(27)	[illegible]										
29 Textiles & Apparel(14)	[illegible]										
30 CONSUMER GOODS(84)	[illegible]										
32 Alcoholic Beverages(7)	[illegible]										
33 Food Producers(23)	[illegible]										
34 Household Goods(17)	[illegible]										
36 Health Care(18)	[illegible]										
37 Pharmaceuticals(16)	[illegible]										
38 Tobacco(2)	[illegible]										
40 SERVICES(271)	[illegible]										
41 Distributors(30)	[illegible]										
42 Leisure & Hotels(31)	[illegible]										
43 Media(44)	[illegible]										
44 Retailers, Food(15)	[illegible]										
45 Retailers, General(53)	[illegible]										
47 Breweries, Pubs & Rest.(22)	[illegible]										
48 Support Services(54)	[illegible]										
49 Transport(22)	[illegible]										
60 UTILITIES(31)	[illegible]										
62 Electricity(15)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(8)	[illegible]										
68 Water(12)	[illegible]										
69 NON-FINANCIALS(674)	[illegible]										
70 FINANCIALS(106)	[illegible]										
71 Banks, Retail(8)	[illegible]										
73 Insurance(16)	[illegible]										
74 Life Assurance(7)	[illegible]										
77 Other Financial(22)	[illegible]										
79 Property(44)	[illegible]										
80 INVESTMENT TRUSTS(127)	[illegible]										
89 FTSE All-Share(907)	[illegible]										
105 FTSE All-Share ex IT(780)	[illegible]										
FTSE Fledgling	[illegible]										
FTSE Fledgling ex IT	[illegible]										
FTSE AIM	[illegible]										

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]										
FTSE 250	[illegible]										
FTSE 350	[illegible]										
FTSE SmallCap	[illegible]										
FTSE All-Share	[illegible]										

[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

مكاشفات الإصيل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 2 / Sch)

BELGIUM/LUXEMBOURG (Jun 2 / Frs.)

CZECH REP (Jun 2 / Korunas)

DENMARK (Jun 2 / Kr)

FINLAND (Jun 2 / Mka)

FRANCE (Jun 2 / Frs.)

GERMANY (Jun 2 / Dm.)

GREECE (Jun 2 / Drachma)

ITALY (Jun 2 / Lira)

NETHERLANDS (Jun 2 / Fls.)

NORWAY (Jun 2 / Kroner)

POLAND (Jun 2 / Zloty)

PORTUGAL (Jun 2 / Escudo)

SPAIN (Jun 2 / Pta.)

SWEDEN (Jun 2 / Kronor)

SWITZERLAND (Jun 2 / Frs.)

TURKEY (Jun 2 / TK Lira)

PACIFIC

JAPAN (Jun 2 / Yen)

HONG KONG (Jun 2 / H.K.$)

INDONESIA (Jun 2 / Rupiah)

MALAYSIA (Jun 2 / MYR)

NEW ZEALAND (May 30 / NZ $)

SINGAPORE (Jun 2 / S$)

AUSTRALIA (Jun 2 / Aust$)

SOUTH KOREA (Jun 2 / Won)

TAIWAN (Jun 2 / TW $)

THAILAND (Jun 2 / Baht)

AFRICA

SOUTH AFRICA (Jun 2 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jun 2 / Can $)

MONTREAL (Jun 2 / Can $)

4 pm close

INDICES

US INDICES

Dow Jones	May 30	May 29	May 28	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7331.04	7330.18	7357.23	7383.41 (27/5)	6391.69 (11/4)	7383.41 (27/5/97)	41.22 (8/7/32)
Home Bonds	102.12	101.97	102.00	103.03 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2684.12	2677.03	2655.70	2683.37 (23/5)	2222.87 (2/1)	2683.37 (23/5/97)	13.23 (8/7/32)
Utilities	222.00	220.94	220.56	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7385.98 (7404.44) Low 7293.99 (7272.24) (Theoretical§)
Day's high 7371.50 (7368.81) Low 7241.76 (7308.57) (Actual§)

Standard and Poors	May 30	May 29	May 28	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	848.28	844.08	847.21	848.71 (27/5)	737.01 (2/1)	848.71 (27/5/97)	4.40 (1/6/32)
Industrials¶	1000.53	998.85	1002.60	1006.26 (27/5)	865.42 (11/4)	1006.26 (27/5/97)	3.52 (30/6/32)
Financial	95.01	92.87	93.38	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	441.78	438.86	439.86	441.78 (30/5)	389.47 (11/4)	441.78 (30/5/97)	4.64 (25/4/42)
Amex Comp.	605.38	603.12	600.79	605.38 (30/5)	541.20 (28/4)	617.61 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1400.32	1403.04	1410.18	1410.18 (28/5)	1201.08 (2/4)	1410.18 (28/5/97)	54.87 (3/10/74)

■ RATIOS

	May 30	May 23	May 16	Year ago
Dow Jones Ind. Div. Yield	1.73	1.69	1.71	2.18
	May 28	May 21	May 14	Year ago
S & P Ind. Div. yield	1.67	1.67	1.68	1.88
S & P Ind. P/E ratio	23.66	23.39	23.88	22.38

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Gillette	9,880,900	17¼	..
Seagate	9,254,300	40¾	+⅛
Compaq	7,813,900	108¾	+6¾
Ch Schwab	7,665,900	40¾	+1¼
Nike	7,336,700	57	+2
AT & T	7,279,200	35⅞	+½
IBM	6,744,200	86⅝	-1⅛
Westinghse	5,872,500	20¼	+¼
Pepsico	5,521,800	36¾	-¼
Telebrace	5,363,600	87¼	-⅛

■ TRADING ACTIVITY

● Volume (million)

	May 30	May 29	May 28
New York SE	536.564	463.932	491.168
Amex	24.815	19.435	18.161
NASDAQ	731.307	629.920	658.160
NYSE			
Issues Traded	3,351	3,356	3,337
Rises	1,585	1,435	1,315
Falls	912	1,049	1,152
Unchanged	854	872	870
New Highs	171	188	176
New Lows	14	6	13

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	851.10	853.70	+2.70	853.90	850.20	95,058	168,705
Sep	-	859.30	-	-	840.35	13,978	27,974

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	20050.0	20440.0	+300.0	20470.0	20050.0	20,434	221,730
Sep	20100.0	20460.0	-310.0	20480.0	20090.0	7,161	32,582

Open interest figures for previous day.

INDEX FUTURES

■ CAC-40

■ DAX

■ OMX

■ SOFFEX

■ TOKYO - MOST ACTIVE STOCKS: Monday, June 2, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nomura Secs	7.3m	1390	+10	Nippon Credit Bk	2.9m	247	+2
Fujitsu	5.8m	1450	+30	Furukawa Elect	2.8m	705	+15
NKK Corp	4.8m	243	+14	Kobe Steel	2.7m	226	+2
Nippon Steel Cp	4.1m	346	+5	Hitachi	2.6m	1270	+30
Shinko Elect	4.0m	494	-28	Daiwa Secs	2.6m	883	+26

§ FT Free Annual Reports Service

NEW YORK STOCK EXCHANGE PRICES

4 pm close June 2

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR x	0.48	1.0	23	226	31	30¾	30⅞	-⅛
43	28⅞	AMP x	1.04	2.8	32	2017	41¼	40½	40¾	-⅛
99¾	78¼	AMR			7	3383	99½	98	00	-1⅜
37⅞	31¼	ASA	1.20	3.7	21	113	32¼	32¼	32⅛	-⅛
67⅞	49¾	AbbtL	1.00	1.7	25	6195	63¾	62⅛	62⅝	-⅛
19¾	14⅛	Abitibi Pr	0.40	2.2	0	2180	u18¼	18	18¼	+¼
19¾	17⅜	ABM Ind	0.40	2.0	10	325	u18⅞	19½	19⅝	+¼
23	17¾	Acptncsin			10	140	21¼	21	21⅛	+⅛
66⅞	56⅛	ACE Ltd	0.88	1.4	10	2410	64⅞	64	64¾	+¾
19¾	10	ACM Gvt In	0.90	8.7	11	107	10⅜	10¼	10⅜	
7⅝	7	ACM GvOpp	0.63	8.4		41	7¼	7⅛	7½	
8⅞	6¼	ACM Man	0.90	9.2		192	u9⅞	9¾	9¾	
10⅜	8¼	Acme Elect				2	7	7	7	
20	13	Acme Mils				20	16⅛	15¾	16⅛	+⅛
17⅝	14	ACNielsen			31	1584	17¼	16¾	17¼	+⅝
37¼	27¼	Acordia x	0.88	2.0	18	3173	u39⅝	39½	39½	+1
29¾	21⅛	Acuson				347	26⅛	25⅞	25⅞	-⅛
21⅞	16¼	Adams Exp x	0.88	2.5	1	719	u22¼	21⅞	21⅞	
48½	24⅞	AdvMic				14477	41⅝	39¼	39¾	-¼
17¼	10⅝	Advest Grp	0.03	6.2	11	169	18⅜	18	16¼	
14⅝	11⅝	Advo Inc			19	117	14⅛	13⅞	14⅛	+¼
75⅞	61¼	Aegon x	1.45	1.9	21	118	74¾	74¼	74⅝	+¼
5¼	3⅛	Aerdix				420	4⅛	4	4	
43¾	33	Aero-V x	0.80	1.8	13	1167	u44	43¼	44	+⅝
72⅛	40	AES Corp				20	71¾	71¾	71¾	+1¼
101⅞	73	Aetna	0.80	0.8	56	6995	100⅞	99¾	120	-1
51	37½	Aflac x	0.46	0.9	16	1803	u51	50⅛	50⅜	-⅛

Continued on next page

NYSE PRICES

4 pm close June 2

Continued from previous page

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-new yearly low. PE price-earnings ratio. ds-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. # Dealings suspended. Note: some US prices in yesterday's FT were pre-close.

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AMEX PRICES

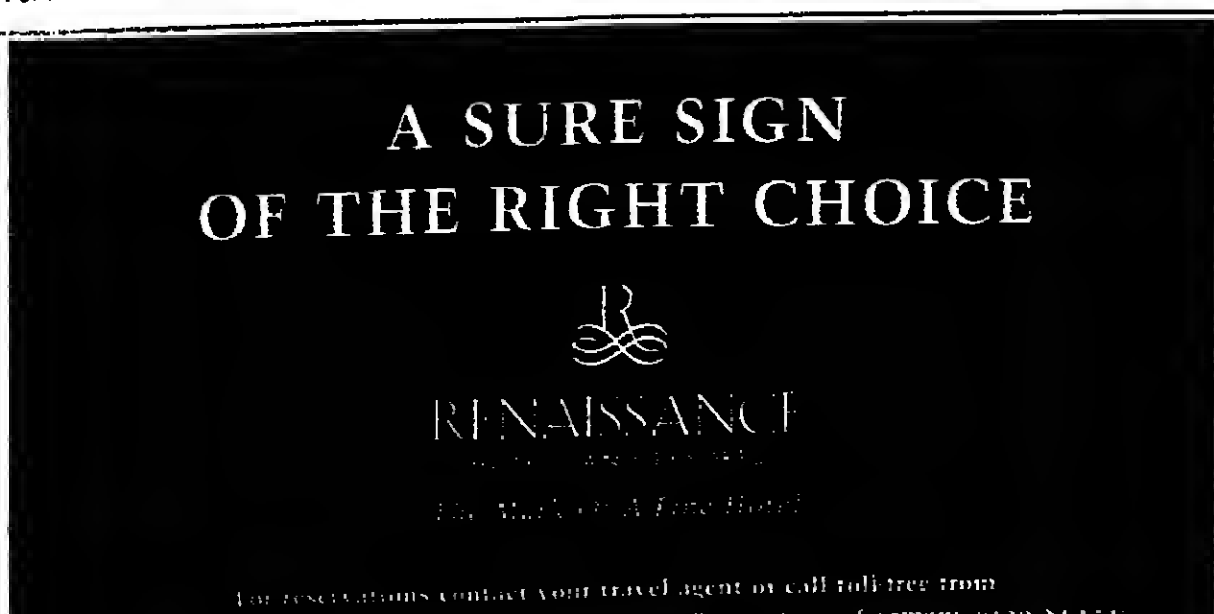
4 pm close June 2

[illegible]

NASDAQ NATIONAL MARKET

4 pm close June 2

[illegible]



EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$5.375		20000	8.25	4.375	Esprit Telecom ADS	US$7.625	-0.125	1900	12.25	5.375
Artwork Systems	US$10.375	-0.125	15950	11.125	8.5	Innogenetics	US$11.75	-0.125	14650	12.75	10.375
Chemunex	FFr15.5	-0.5	200	10	15.5	Mercer Internatl.	US$11.375	-0.125	9	11.75	8.125
Dr Solomon's ADS	US$20.375		0	26.5	16.875	PixTech	US$4		0	0.125	3.875

Prices for 2/6/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9990).

Dow dips as output data hit bonds

AMERICAS

Wall Street trading was mixed at midsession as technology stocks and smaller companies outperformed blue chips, *writes Jane Martinson in New York.*

The Dow Jones Industrial Average fell 11.59 to 7,319.45 at 1pm although the more broadly-based S & P 500 edged up 0.65 at 848.93.

Early blue chip gains were wiped out after stronger than expected manufacturing data were published. The 30-year benchmark bond also loet earlier gains with a decline of ⅜ at 96¼.

The technology-driven Nasdaq composite index managed to shrug off such inflation fears and rose 3.35 to 1,403.67. The resilienca came in the wake of Friday'a profits warning from Intel, the world'e largest silicon chip manufacturer. The market had feared a full-scale sell-off in the Nasdaq index although some stocks had already atarted the rebound by late Friday.

Cyrix, which had launched an updated microprocessor to rival Intel'e, was among yesterday'a biggest gainers with an increase of $2¼ or 9 per cent to $27¼. Dell contributed to the Nasdaq gains with an increase of $2⅞ to $114⅞ while Intel itself edged higher, up $¼ at $151¾.

The Russell 2000, the index of smaller company shares, rose above a closing high on Friday with an increase of 1.50 at 382.26.

Among blue chip losers, Procter & Gamble fell almost $2¾ or 2 per cent to $135⅝ after an analyst downgraded the consumer giant, according to reports. McDonald's fell $1½ or 3 per cent to $48⅝.

There was a mixed reaction to renewed inflation fears among tha interest rate-sensitive banking stocks. Morgan Stanley gained $2½ or almost 4 per cent at $67½ while J.P. Morgan, a Dow constituent, lost $⅝ at $106⅝.

TORONTO eased in quiet, election day trading. Banks and technology atocks moved forward but golds and conglomerates lost ground and at the noon calculation the 300 composite index was off 20.68 at 6,402.80.

Newbridge Networks jumped C$2 to C$57 and the banks also came in for continued buying. Royal Bank of Canada added 15 cents at C$59.95 and Bank of Nova Scotie rose 45 cente to C$57.70. Alcan Aluminium improved 50 cents to C$50.

Seagram retreated 20 cents to C$55.30.

Santiago well ahead

SANTIAGO continued to power forward. Up mora than 2 per cent on Friday, the IPSA index was running 3.3 per cent ahead at midsession yesterday with a gain of 4.33 to 134.22.

Brokers said foreign buying was driving the rally as utilities came back into fashion. Endesa jumped 4 per cent to 314 pesos and Enersis rose hy a similar percentage to 293 pesos.

BUENOS AIRES traded after Friday's heavy volume when trading ewelled to 40m pesos. At midsession, the Merval index was up 0.92 at 779.00.

MEXICO CITY also traded quietly with shares mostly moving sideways. Wall Street was no help and there was said to be a certain nervousness creeping into trading ahead of this week's US jobs data. At midsession, tha IPC index was 15.33 better at 3,984.14.

CARACAS ended with a modest midsession improvement of 1.64 to 6,855.41 on the IBC index.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	-0.80	+5.84	+13.00	+13.46	+7.15	+2.45
Belgium	-0.63	+0.69	+32.90	+21.00	+14.18	+9.15
Denmark	-1.37	+3.93	+41.46	+18.89	+13.00	+8.04
Finland	-3.67	+1.46	+49.90	+21.46	+13.91	+8.92
France	-6.13	-3.10	+22.03	+10.95	+4.71	+0.11
Germany	-1.64	+2.18	+38.81	+21.44	+14.76	+9.73
Ireland	-1.36	+0.95	+27.81	+16.41	+8.60	+3.83
Italy	-2.63	-2.15	+15.55	+16.45	+9.47	+4.67
Netherlands	-1.21	+3.36	+39.75	+21.95	+14.98	+9.94
Norway	+0.15	+5.37	+34.71	+16.99	+9.83	+5.01
Spain	-2.11	+6.24	+56.23	+24.41	+17.30	+12.15
Sweden	-2.77	+4.51	+46.70	+19.82	+10.72	+5.86
Switzerland	-2.71	+1.77	+40.22	+27.13	+26.21	+20.67
UK	-0.81	+3.16	+19.95	+10.23	+10.23	+5.39
EUROPE	-2.03	+2.07	+29.27	+16.22	+12.43	+7.49
Australia	+1.26	+5.02	+18.48	+9.61	+9.86	+5.05
Hong Kong	+1.93	+10.47	+16.77	+2.24	+8.74	+2.06
Indonesia	+7.56	+8.62	n.a.	+9.65	+11.37	+6.49
Japan	-0.36	+0.85	-8.29	+1.40	+5.63	+1.01
Malaysia	+1.13	-0.59	-3.51	-11.82	-7.31	-11.37
New Zealand	+3.15	+5.43	+14.31	+1.01	+3.27	-1.26
Philippines	+8.41	+9.76	n.a.	-15.23	-11.59	-15.46
Singapore	+0.59	+4.82	-4.73	-4.55	-2.32	-6.60
Thailand	-0.91	-17.30	-64.16	-33.53	-26.47	-31.61
Canada	-0.72	+4.32	+25.84	+8.67	+13.25	+8.29
USA	+0.26	+4.38	+25.63	+13.84	+18.06	+13.84
Brazil	+4.46	+9.17	+70.34	+46.53	+48.61	+42.10
Mexico	-0.34	+5.63	+18.71	+17.54	+22.25	+16.89
South Africa	-1.09	-2.77	+0.68	+5.30	+15.26	+10.21
WORLD INDEX	-0.40	+3.21	+17.88	+11.36	+13.95	+8.95

† Based on May 30th 1997.

Paris turmoil as buyers quash early fears

EUROPE

Hearts almost stopped in PARIS as share pricea plunged lower and then raced higher following a rapid re-think on the political outlook.

It was easily the most active day of the year, with 29.5m shares changing hands. The CAC 40 indax closed 17.51 higher at 2,601.45 having crashed at one stage through 2,500 to its lowest level since late January.

Dollar strength helped and tha bond market turned a loss of 50 basis points on the Matif 10-year future into solid gain. But the main drive for equities was the rush by investors to snap up perceived bargains.

Banks and the defence stocks stayed on the rack, but elsewhere there was some highly visible upside action. Pernod Ricard jumped FFr24.50 or 8.9 per cent to FFr300 and Carrefour rose FFr148 to FFr3,938. Elf Aquitaine gained FFr23 to FFr600 while Sanofi, its separately listed drugs arm, rose FFr13 to FFr514 ahead of this week's annual meeting.

Worries that the new governmant would slam the brakes on industry rationalisation continued to undermine banks. BNP shed FFr8 to FFr228.90, Paribas FFr14.80 to FFr356.90 and Société Générale FFr31 or 4.8 per cent to FFr610.

French defence groups

Thomson-CSF led defence stocks lower, *falling FFr11.50* or 7 per cant to FFr153 against this year's high of FFr200. Lagardère tumbled FFr10.90 to FFr158.80 and Dassault was suspended at FFr981. down FFr104 or 9.6 per cent.

FRANKFURT had a volatile day. It started weak, the Dax index bottoming at 3,544.49 on the perceived threat to European monetary union from the French socialists' election victory.

However, the D-Mark weakened on Emu uncertainties, and the implications for German export margins, combined with a higher opening on Wall Street, took the key index to a peak of 3,618.24.

Unfortunately, the Dow turned from gains to losses; and tha controversy over Germany's own economic managemant took bold again.

The Dax still closed 33.67 higher at an Ibis-indicated 3,596.40, but turnover was down from DM12.2bn to DM10.3bn and there was a suggestion that short covering was involved in the day'a share price gains after a 2 per cent fall in the market last Friday.

AMSTERDAM drove higher as international stocks met with strong, dollar-led buying. The AEX index ended 16.51 or 2.1 per cent higher at 807.48.

Philips topped the day's performance charts, climbing Fl 4.90 or 4.8 per cent to Fl 110 and Unilever gained Fl 7.70 to Fl 377.2. Financials were also in the thick of the action.

Fortis Amev jumped Fl 2.80 or 3.6 per cent to Fl 81.70 and ING, the day's most active stock with 5.1m shares traded, gained Fl 2.20 to Fl 87.10.

Vendex, initially weak on reports of slow institutional demand for the spin-off of Vedior, its services division, clawed up at the close to finish Fl 1 higher at Fl 108.80. Vedior allocations are due to be announced on Thursday.

ZURICH rose by more than the 90.5 points it fell last Friday, the SMI index closing 108.4 or 2.15 per cent higher at 5,150.0. It had strong points in both financials and industrials: Zurich Insurance rose SFr18 or 3.5 *per cent to SFr638 on continued* speculation that it was close to acquiring Scudder, the US money management house. ABB, Holderbank and SMH each gained more than 3 per cent.

MADRID, a hig convergence play this year, was 1.6 per ceot down at one point but recovered to close with the general index just 0.45 lower at 547.02. Gas Netural gained Pta1,070 to Pta28,800 on a technical rebound and Repsol, its main shareholder, put on Pta100 at Pta6,150 on a joint venture in service stations with the retailer, El Corte Ingles.

MILAN, like Madrid, was weak at the ontset bnt it gained ground on e combination of Emu pragmatism and the dollar. The Mibtel index ended 71 better at 12,158.

Selected laadars mada strong showing. ENI improved L119 to L8,595 and Mediobanca L101 to L9,730. Fiat added L77 to L5,650.

HELSINKI climbed 1.9 per cent, Amer coming back from suspension with a gain of FM6 at FM107, after FM116, on a plan by Jonathan Bryan Guinness, the third Lord Moyna, to huy control of the sporting goods group from Finnish international investors.

The Hex index closed 56.84 higher at 3,081.62. Orion rose FM9 to FM209 on clearance to sell its Fareston breast cancer drug in the US.

BUDAPEST scored a second auccessive high, up 120.98 or 2 per cent at 6,139.09 after Friday's 1.5 per cent gain. Traders said that tha bourse was helped by the dollar's gain egainst the forint and by fresh capital reaching the market, possibly from the recently embattled PRAGUE, where the RPIX index recovered 8.8 to 1,019.4.

VIENNA was driven above the 1,300 laval again hy OMV, the oil and energy market leader gaining Sch70 or 4.6 per cent at Sch1,589 on a short squeeze as the ATX index rose 20.33 to 1,274.59. VA Stahl, which talked about a more optimistic prognosis for the steel industry this year, improved Sch11 to Sch551.

ISTANBUL ignored the implications of early elections to be held by end-1997, *brokers saying that it was* technically strong and liquid as tha IMKB National-100 index closed 60 or 3.8 per cent higher at 1,655.

The index jumped 8.7 per cent last week, mainly on hopes of an alternative alliance to replace the Islamist-led government. On Sunday Mr Necmettin Erbakan, the Islamist prime minister, said that he would step down in favour of Mrs Tansu Çiller, the True Path party leader, within a month.

Written and edited by William Cochrane and Jeffrey Brown

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Jun 2 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2305.72	2303.62	2305.16	2309.69	2319.14	2322.51	2324.50	2322.89
FTSE Eurotrack 200	2348.91	2349.21	2350.18	2354.84	2360.28	2363.15	2361.84	2359.80

	May 30	May 29	May 28	May 27	May 23
FTSE Eurotrack 100	2312.25	2342.35	2352.26	2370.09	2367.18
FTSE Eurotrack 200	2351.37	2381.18	2388.28	2392.37	2381.76

Base value 1000 (26/10/90); Highday: 100 - 2325.33, 200 - 2365.93 Lowday: 100 - 2302.89 200 - 2347.38 † Partial.

Domestic buyers active as Tokyo gains 1.9%

ASIA PACIFIC

Renewed buying by domestic pension funds and investment trusts drove TOKYO sharply higher, belped by rising futures prices in Osaka that prompted arbitrageurs to buy cash stocks, *writes Gwen Robinson.*

The Nikkei 225 average jumped 383.04 or 1.9 per cent to close at the day's high of 20,451.85 after a morning low of 20,040.70. Trading began on a weak note following the end last Friday of Japan's annual corporate results season, hut stocks then rose across the board as individuals as well as domestic institutions sought hlue chip exporters and domestic demand-driven shares.

Volume fell from 422m ehares to an estimated 311m. Advances led declines 717 to 345 with 173 unchanged. The Topix index of all first-section stocks rose 20.94 to 1,507.83 and the capital-weighted Nikkei 300 was up 4.83 at 291.37.

Among domeatic-orientated issues, huyers liked steel and shipbuilding issues with a etrong earnings outlook. NKK rose Y14 to Y243 and Sumitomo Metal industries Y13 to Y310; Mitenbishi Heavy Industriae added Y27 to Y865 and Kawasaki Heavy Industries Y12 to Y516. Individual investors sought Nippon Thompson, a maker of needle roller bearings, which gained Y48 to Y990.

Among blue chip exporters, Sony gained Y130 to Y9,940, Nikon Y120 to Y2,090 and Advantest Y100 to Y8,020. In carmakers, Honda put on Y160 to Y3,580 and Toyota Y70 to Y3,410.

Tha telecommunications sector was the biggest loser, down 2.7 per cent on heavy selling of NTT, which plunged Y50,000 to Y1.06m after reaching a year's high Y1.11m on Friday.

Nomura Securities was the most active issue, rebounding Y10 to Y1,390 following recent losses on the arrest of its former president over the widening racketeer-payoff scandal. Other financials advanced, with Sakura Bank up Y31 at Y729 and Fuji Bank Y50 at Y1,550.

Mitsui Toatsu Chemicals added Y7 to Y325 and Sumitomo Chemical Y23 to Y505 on news that the two leading chemical makers had agreed to merge their polystyrena production units.

In Osaka, the OSE average added 198.26 to 21,119.63 and volume fell to 10.5m shares. In London, the ISE/Nikkei 50 index fell 0.05 to 1,592.46.

SHENZHEN's foreign currency stocks leapt 4.7 per cent on a rebound following sharp recent losses on government anti-speculation measures, the B share index coming in 7.18 higher at 160.26. SHANGHAI saw local investors spill over from an active A share market and the B index here gained 3.178 or 3.7 per cent at 90.045.

TAIPEI and SEOUL had their big day on Saturday, when they rose by 2 per cent and 1.4 per cent respectively. Yesterday the Taiwanese finance ministry raised the ceiling on eingle foreign fund investment in the island's equities to US$50m US$20m and the weighted index rose another 34.19 to 8,197.30, off an intra-day high of 8,213.87. South Korean stocks consolidated and the composite index closed 1.62 higher at 758.39.

HONG KONG eteamed deeper into new high ground as strong buying of hloe and red chips kept activity at high levels. The Hang Seng index gained 233.09 or 1.6 per cent to a record 14,990.90 in turnover of HK$15.3bn.

Utilities were the top performers with Hongkong Telecom jumping HK$0.60 to HK$17.75 on hopes for breakthrough mainland deals and China Light gaining HK$2.20 to HK$41.00. Swire Pacific rose HK$3.50 to HK$68.50.

The day's most active stock was red chip newcomer Beijing Enterprises, which surged HK$9.55 or 21 per cent to HK$54.75 in turnover of HK$1.5bn. The shares were floated last week at HK12.48. Among other red chipe, China Merchants added HK$2.30 to HK$16.40.

BOMBAY pushed higher in late trade after aggressive buying by a top US fund was said to have sparked short-covering. The BSE 30 index ended 51.53 or 1.4 per cent higher at a provisional 3,806.63.

ITC, the tobacco group, jumped Rs42 or nearly 10 per cent to Rs478.50. The technical squeeze at ITC was said to be very visibla with the shares attracting backwardation – a temporary reversal for the bid and offer prices – for the third session running.

SYDNEY moved up to best ever levels on strong buying of banks, huilding materials and BHP.

The All Ordinaries index ended just short of the session at 2,625.7, up 15.2.

BHP added 29 cents to A$19.15 in 2.6m sharee traded. Among banks, ANZ gained 26 cents to A$9.25 on talk that the group could be the target of a foreign takeover. NAB added 10 cents to A$18.88. A 25 per cent earnings improvement left Macquarie Bank 4 cents better at A$9.50.

Building materials jumped on news of a 3.6 per cent gain for house approvals in April. James Hardia Industries gained 15 cents to A$4.15 and Pioneer 8 cents to A$4.55.

JAKARTA absorbed late profit-taking to close with ths composite index up 3.70 at 699.73 after a session best of 701.75. Selected hlue chips ended lower. Sampoerna touched Rp10,050 before slipping back to close off Rp25 at Rp9,800.

Futures lift South Africa

Takeover talk in Johannesburg plus positive pressure from the futures market sent indnstrial ehares sharply ahead and lifted the all-share index 39.6 to 7,061.3.

Usko jumped R3 to R43 on bid speculation while talk that Remgro was set to launch an offer from Malbak sent both higher. Malbak anded 26 cents better at R6.80 and Remgro gained 95 cents to R45.95.

Sappi dipped 25 cents to R40.75 on disappointing results but South African Breweries added 50 cents to R126.25 in spite of going ex dividend. At the close the industrial index had gained 50.2 to 8,290.4.

Reporte that Gencor planned to split itself in two and float its base metal operations on the London stock market created interest. The ahares gained 35 cents to R19.95.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY MAY 30 1997								THURSDAY MAY 29 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	233.10	0.3	211.22	171.70	206.69	209.66	0.7	3.78	232.39	210.15	170.36	204.99	202.25	234.37	188.44	205.62
Austria (24)	194.56	-2.3	176.30	143.31	172.52	172.46	-1.8	1.90	199.08	180.01	146.94	175.61	175.54	200.52	174.70	151.70
Belgium (26)	248.53	-0.9	225.21	183.07	220.38	215.82	-0.4	3.31	250.90	226.87	183.92	221.31	216.74	254.98	206.70	209.00
Brazil (30)	269.52	0.8	244.23	198.53	238.99	531.57	0.5	1.35	267.46	241.84	196.06	235.92	528.64	269.52	162.65	170.14
Canada (112)	205.57	0.3	186.28	151.43	182.29	205.34	0.2	1.90	205.01	185.38	150.29	180.84	204.88	209.45	154.12	164.68
Denmark (32)	380.26	-0.8	344.58	280.10	337.15	335.72	-0.3	1.51	383.14	346.45	280.87	337.97	336.71	380.15	282.69	294.80
Finland (28)	267.54	-2.2	242.44	197.07	237.24	288.59	-1.8	1.58	273.64	247.43	200.59	241.39	293.89	279.84	186.67	193.92
France (91)	214.31	0.0	194.20	157.86	190.03	193.69	0.1	2.92	214.33	193.80	157.12	189.06	193.53	232.34	186.94	195.03
Germany (59)	208.47	-2.9	188.91	153.56	184.86	184.86	-2.4	1.53	214.75	194.15	157.42	189.43	189.43	215.80	167.15	167.16
Hong Kong (86)	517.52	1.8	468.95	381.20	458.89	514.83	1.9	2.93	508.13	459.46	372.49	448.21	505.42	517.94	407.55	436.38
Indonesia (27)	243.00	1.8	220.16	178.99	215.47	382.62	1.6	1.58	238.65	215.80	174.95	210.51	357.08	–	–	–
Ireland (16)	341.46	-1.4	309.42	251.52	302.78	318.68	-1.4	3.08	346.36	313.16	253.91	305.52	323.33	350.96	270.08	278.74
Italy (59)	87.39	-1.9	79.18	64.37	77.49	110.41	-1.2	2.28	89.11	80.58	65.33	78.61	111.72	96.32	73.26	82.57
Japan (485)	130.37	-1.8	118.13	96.03	115.90	96.03	-1.3	0.82	132.74	120.03	97.30	117.09	97.30	158.25	107.57	155.64
Malaysia (107)	534.64	-0.1	484.46	393.81	474.07	517.38	0.0	1.32	535.27	484.00	392.39	472.15	517.60	660.85	510.10	557.04
Mexico (27)	1425.81	0.7	1292.00	1050.25	1264.29	12340.30	0.8	1.22	1416.05	1280.43	1038.05	1249.09	12248.88	1445.68	1110.35	1277.98
Netherland (19)	369.56	-2.2	334.87	272.21	327.69	323.64	-1.7	2.42	377.87	341.68	277.00	333.31	329.27	382.16	278.88	295.86
New Zealand (14)	90.61	1.0	82.11	66.75	80.35	69.87	1.0	4.13	89.70	81.11	65.76	79.13	68.96	95.60	75.94	78.43
Norway (41)	310.37	-1.5	281.24	228.62	275.21	299.68	-0.9	2.05	315.29	285.04	231.08	278.06	302.38	321.23	246.04	250.04
Philippines (22)	172.14	1.5	155.99	126.80	152.64	226.26	1.5	0.62	169.62	153.37	124.34	149.62	222.94	–	–	–
Singapore (42)	392.11	0.2	355.31	288.83	347.69	258.31	0.1	1.18	391.45	353.97	286.97	345.31	258.02	448.01	360.08	417.16
South Africa (44)	350.93	-1.1	318.00	258.50	311.18	342.79	-1.1	2.49	354.89	320.90	260.15	313.04	346.61	370.12	301.49	356.05
Spain (35)	246.51	-2.3	223.38	181.58	218.59	289.47	-1.8	2.43	252.21	228.05	184.88	222.47	274.39	262.42	171.91	176.29
Sweden (49)	446.62	-1.0	404.71	328.98	396.03	510.97	-0.6	2.02	451.05	407.86	330.65	397.87	514.27	467.61	334.35	347.27
Switzerland (35)	287.86	-2.2	260.87	212.05	255.27	252.49	-1.8	1.32	294.32	266.13	215.75	259.62	257.16	299.90	230.41	230.78
Thailand (43)	65.52	6.4	59.37	48.26	58.10	63.37	4.0	4.93	61.60	55.70	45.18	54.34	60.92	180.09	59.76	180.09
United Kingdom (211)	298.44	-1.2	270.43	219.83	264.63	270.43	-1.0	3.69	302.15	273.21	221.49	268.52	273.21	303.18	229.63	233.38
USA (651)	343.61	0.6	311.36	253.10	304.69	343.61	0.6	1.78	341.71	308.98	250.49	301.42	341.71	343.67	254.79	273.50
Americas (820)	314.49	0.8	284.98	231.65	278.86	284.82	0.5	1.77	312.78	282.82	229.29	275.90	283.40	314.74	233.09	249.84
Europe (725)	257.61	-1.6	233.44	189.76	228.43	237.63	-1.2	2.68	261.75	236.68	191.88	230.88	240.62	264.78	204.71	208.40
Nordic (150)	386.48	-1.2	350.21	284.68	342.70	381.29	-0.8	1.88	391.13	353.67	286.72	345.01	384.31	401.56	291.45	298.73
Pacific Basin (882)	149.35	-1.1	135.33	110.01	132.43	110.54	-0.7	1.30	151.03	136.56	110.71	133.22	111.35	170.86	127.16	168.81
Euro-Pacific (1607)	194.52	-1.4	176.27	143.29	172.49	158.54	-1.0	2.06	197.22	178.33	144.58	173.97	160.16	198.16	173.55	185.16
North America (763)	335.16	0.5	303.71	246.89	297.20	334.46	0.5	1.78	333.36	301.43	244.37	294.05	332.66	335.55	246.65	266.75
Europe Ex. UK (514)	230.16	-1.8	208.56	169.53	204.08	214.75	-1.4	2.10	234.33	211.89	171.78	206.70	217.73	238.96	165.65	189.78
Pacific Ex. Japan (397)	311.80	1.0	282.54	229.67	276.48	272.85	1.1	2.74	306.73	278.18	226.52	272.33	269.93	320.65	268.97	291.10
World Ex. US (1820)	198.05	-1.2	179.46	145.89	175.61	164.93	-0.9	2.04	200.56	181.35	147.02	176.91	166.47	201.44	178.94	186.54
World Ex. UK (2260)	239.20	-0.3	216.75	176.19	212.10	210.73	-0.2	1.72	239.98	217.00	175.92	211.68	211.06	241.02	199.58	211.45
World Ex. Japan (1986)	302.80	-0.1	274.36	223.04	268.50	292.24	0.0	2.14	303.21	274.17	222.27	267.46	292.31	305.11	233.10	245.42
The World Index (2471)	244.28	-0.4	221.35	179.93	216.60	216.22	-0.2	1.92	245.30	221.80	179.82	216.37	216.74	246.21	202.32	213.45

Latest prices were unavailable for this edition.